Mike Corso
Vice President,
Commercial Real Estate
Atlantic Union Bank
Jamar Jarrell
President of the ODU Student Real Estate Club
Simon Stevenson Ph.D.
Robert M. Stanton Chair & Director of the E.V. Williams Center for Real Estate
Robert M. Stanton
In Memoriam
EMCEE

Krista Costa
Executive Vice President, Corporate Services and Office Leasing
Divaris Real Estate, Inc.
Presenting Sponsor

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CREW COASTAL VIRGINIA

SOUTH BAY COMMUNICATIONS & SECURITY

YesSuffolk

Partnering with AUA SECURITY
Municipal Sponsors
Program Sponsors
Economic Trends

Robert M. McNab, Ph.D.
Chair and Professor of Economics
Director, Dragas Center for Economic Analysis and Policy

Old Dominion University
Strome College of Business
Civilian Labor Force and Individual Employment
Hampton Roads, January 2007 – December 2022

Sources: Bureau of Labor Statistics and Dragas Center for Economic Analysis and Policy. Seasonally adjusted data.
Nonfarm Payrolls (Jobs)
Hampton Roads, January 2007 – December 2022

Thousands of Jobs

Sources: Bureau of Labor Statistics and Dragas Center for Economic Analysis and Policy. Seasonally adjusted data. Pre-recessionary peaks in nonfarm payrolls were July 2007 and January 2020. Troughs in nonfarm payrolls were February 2010 and April 2020.
Index of Nonfarm Payrolls (Jobs), Hampton Roads, Virginia, and the United States
February 2010 – December 2022

Sources: Bureau of Labor Statistics and Dragas Center for Economic Analysis and Policy. Index estimated from seasonally adjusted data. 100 is equal to employment in February 2010.
Job Openings and Job Quits
Virginia, January 2010 – November 2022

Sources: Bureau of Labor Statistics and Dragas Center for Economic Analysis and Policy. The job openings rate is equal to the ratio of the number of job openings to the sum of employment and job openings. The job quit rate is equal to the ratio of job quits to employment. Both ratios are multiplied by 100.
Department of Defense Direct Spending
Hampton Roads, 2010 – 2027*

Sources: United States Department of Defense, Office of Management and Budget, and Dragas Center for Economic Analysis and Policy. Includes federal civilian and military personnel and procurement spending.

*Data for 2022 are estimates while data for 2023 through 2027 are projections based on DoD spending projections.
Monthly Inflation and Inflationary Expectations
United States, January 2010 – December 2022

Inflation and inflationary expectations over the years from 2010 to 2023, showing a peak of 9.0% in 2022 and a drop to 3.9% by 2023. The chart includes data from the Bureau of Labor Statistics, University of Michigan, and Dragas Center for Economic Analysis and Policy. Seasonally adjusted data. Inflationary expectations are the 12-month forward looking expectation for inflation.
Yield Curve
United States, January 2007 – January 2023

The yield curve is the difference between the constant maturity rate of the 10-year U.S. Treasury and the 2-year U.S. Treasury bonds.
Looking Ahead

• China's recovery in the 2nd half of 2023 will ease supply chain constraints globally.

• The Federal Reserve's effort to break inflationary expectations will see interest rates rise in the first half of 2023.

• Rising interest rates will lead to a contraction in single-family real estate values, but residential housing supply constrains decline in median prices.

• Labor market conditions will pivot in favor of employers in the second half of 2023.

• Congress is a major source of downside risk. A failure to extend the debt ceiling would spark a global financial crisis much worse than the Great Recession of 2007 – 2009.
Office

Nicole Campbell
Assistant Vice President, Office Leasing and Sales

DCe Divaris Real Estate, Inc.
RIP
OFFICE LIFE
1856 - 2020

Snack Shop
Regular 699.9
Plus 719.9
729.9

Inflation
Hampton Roads market rent per square foot

Hampton Roads office vacancy as compared to the US average

Source: CoStar
50% probability of leasing space within 7 months of being on market

Source: CoStar
Office
New
Construction
200 Corporate Blvd- Norfolk
46,154 SF
$459 PSF
477 Viking Drive - Virginia Beach
98,852 SF
$15.5MM

Photo Source: CoStar
Largest lease: 42,144 SF
AvalonBay Communities, Inc.

38,711 SF renewal

Photo Source: CoStar
33,460 SF new lease
86% of new and renewal leases were less than 5,000 SF.

Source: CoStar
The Great Office Glow Up
After

glow up
Executives hope to get more employees back in the office.

Many adults are going back to office for their first time.
Image Business Interiors did an office “refresh” for a client.
Cunningham Dr. plans to redevelop 500 E. Plume St to be turned into apartments
Hampton Roads

GREAT OFFICE GLOW-UP
Why Hampton Roads?

Industrial Market Dynamics

Our market has evolved from being a purely build-to-suit market to attracting significant spec development from major national developers.
The challenge for the Hampton Roads industrial real estate market is not limited demand... but limited supply.
2019 to 2022: New Supply, but High Demand

- Net absorption exceeded new supply in three of the past four years
- From 2019 to 2021 net absorption exceeded new supply by over 1.6 million SF
- Despite record deliveries in 2022, overall net absorption for the four-year period still exceeded new supply by over 1.2 million SF
- This is what demand velocity looks like
- Demand velocity in Hampton Roads will continue for the foreseeable future because it is structural in nature

Source: JLL Research
Historical Vacancy and Availability

With vacancy and availability rates as low as these, every available lease option below 300,000 SF will typically have multiple tenants competing for it.

Source: CoStar 2022 Industrial Market Report for the Norfolk, VA market
Industrial Supply & Demand Across All Size Ranges

With no existing space to undercut new builds, rents rise across the board.

Source: CoStar 2022 Industrial Market Report for the Norfolk, VA market
Leasable Supply Pipeline

Demand keeps growing, but groundbreaking and construction delays limit new supply to meet it.

The main limitations on supply are zoning, water & sewer infrastructure, and the impact of rising interest rates.

Source: CoStar 2022 Industrial Market Report for the Norfolk, VA market
• The process of supply chain reconfiguration and port diversification by corporate occupiers will accelerate as the benefits of a diversified port strategy attract more and more shippers and logistics companies to East Coast ports. This is outstanding news for the Hampton Roads market.

• Demand for new industrial space returns to pre-pandemic levels. E-commerce will remain a substantial element of industrial demand, but smaller companies are partnering with 3PL and Logistics and Distribution users, which drives demand.

• Over 7.9 million SF of new industrial product is planned to deliver in Hampton Roads over the next three years – equal to about 60% of the over 13 million SF of requirements from tenants in the market.
Looking forward into 2023 and 2024

• Functional industrial vacancy is around 1.8%, with Class A vacancy at 0.1%. There is a limited supply of new Class A assets, with only 12% of Hampton Roads industrial inventory built since 2015 and only 4% offering clear ceiling heights of 36 feet or higher.

• In the near term, rising interest rates are affecting underwriting and price discovery and impacting developer and investment sales momentum.

• Return on Investment (ROI) and rental rates in Hampton Roads are becoming nationalized outside of any local market – industrial space here will no longer rent or sell at a discount.

• Contractors still rank material cost and availability as top concerns for 2023, and the driver for new construction rental rates will continue to be a blend of cost-push and demand-pull dynamics.
Looking forward into 2023 and 2024

- The burgeoning offshore wind industry will spur industrial space demand across the area for years to come – initially at waterfront sites but spreading inland as Hampton Roads becomes a wind technology hub.

- Rising demand for industrial outside storage (IOS) will further increase the scarcity and cost of industrially-zoned land throughout the region.

All of these are structural trends that will impact our market for years to come.
Hampton Roads is...

Punching above our weight!
HAMPTON ROADS
REAL ESTATE
2023 MARKET REVIEW & FORECAST
E.V. WILLIAMS CENTER FOR REAL ESTATE
at The Harvey Lindsay School of Real Estate
Retail

Jeff Fritz, CCIM, CPM
Vice President

Colliers
2022 Retail Overview & Forecast

- 2022 Shopping Center Activity & Trends
- 2022 Retailers Activity & Trends
- 2022 Capital Markets Activity & Trends
- 2023 Forecast
2022 Retail Absorption & Deliveries

929K SF POSITIVE ABSOPITION – 100K SF MORE THAN HISTORICAL AVERAGE

Source: CoStar
2022 Retail Rents

HISTORIC 3% RENT GROWTH & VACANCY BELOW HISTORIC AVERAGE

Source: CoStar
2022 Retail Collections

AVERAGE RENT COLLECTIONS HAVE SURPASSED PRE-PANDEMIC LEVELS

Datex Retailer Rent Collections

Source: Datex
## 2022 Retailers – New & Expanding

<table>
<thead>
<tr>
<th>GROCERY</th>
<th>OFF-PRICE &amp; DISCOUNTERS</th>
<th>FITNESS</th>
<th>“MEDTAIL”</th>
<th>AUTOMOTIVE</th>
<th>FOOD</th>
</tr>
</thead>
<tbody>
<tr>
<td>popshelf</td>
<td>DOLLAR TREE</td>
<td>planet fitness</td>
<td>RIVERSIDE MEDICAL CENTER</td>
<td>Green Clean EXPRESS AUTO WASH</td>
<td>CHICKEN SALAD CHICK</td>
</tr>
<tr>
<td>LIDL</td>
<td>five below</td>
<td>OneLife Fitness</td>
<td>Ivyrehab network</td>
<td>Valvoline</td>
<td></td>
</tr>
<tr>
<td>Ollie's Bargain Outlet</td>
<td>HOME SENSE</td>
<td>CANNABIST</td>
<td></td>
<td></td>
<td>STARBUCKS COFFEE</td>
</tr>
<tr>
<td>OLD TIME Pottery</td>
<td></td>
<td>CLUB PILATES</td>
<td></td>
<td></td>
<td>CHIPOTLE MEXICAN GRILL</td>
</tr>
</tbody>
</table>
2022 Retailers – Store Closures & At-Risk

NATIONWIDE – 2022 HAD 5,000+ OPENINGS AND 2,600 CLOSURES

- Regal
- Party City
- Tuesday Morning
- Bed Bath & Beyond
# 2022 Notable Lease Transactions

<table>
<thead>
<tr>
<th>Tenant</th>
<th>Property</th>
<th>Square Footage</th>
<th>City</th>
<th>Quarter</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Old Time Pottery</td>
<td>Little Creek Marketplace</td>
<td>136,550</td>
<td>Norfolk</td>
<td>Q3</td>
<td>New-to-Market Tenant</td>
</tr>
<tr>
<td>Onelife Fitness</td>
<td>Coliseum Marketplace</td>
<td>57,662</td>
<td>Hampton</td>
<td>Q4</td>
<td>Grocery store backfill</td>
</tr>
<tr>
<td>Publix</td>
<td>Planter's Station</td>
<td>45,000</td>
<td>Suffolk</td>
<td>Q2</td>
<td>New-to-market Tenant</td>
</tr>
<tr>
<td>Locke Supply Co</td>
<td>Kingsgate Green</td>
<td>40,000</td>
<td>Williamsburg</td>
<td>Q2</td>
<td>New-to-market Tenant</td>
</tr>
</tbody>
</table>

Source: CoStar
2022 Retail Capital Market Pricing & Volume

ABOVE AVERAGE VOLUME, COMPRESSING CAP RATES & ACCELERATING PSF PRICING

**HAMPTON ROADS RETAIL CAP RATES**

- Avg Retail Cap Rates (25K SF+)
- Avg All Retail Cap Rates
- Avg 10-Year US Treasury

**HAMPTON ROADS RETAIL SALES VOLUME**

- Retail Dollar Volume (25k SF+)
- Price PSF

Source: Colliers, CoStar, RCA, Federal Reserve Economic Data

Source: Colliers, CoStar, RCA
# 2022 Notable Sale Transactions

## 2022 Top Sales (NON-PORTFOLIO)

<table>
<thead>
<tr>
<th>Property</th>
<th>Sales Price</th>
<th>Square Footage</th>
<th>Price / SF</th>
<th>Quarter</th>
<th>Anchor Tenant(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pembroke Square</td>
<td>$26,500,000</td>
<td>124,200</td>
<td>$213</td>
<td>Q4</td>
<td>Fresh Market</td>
</tr>
<tr>
<td>Towne Place at Greenbrier</td>
<td>$23,150,000</td>
<td>76,460</td>
<td>$303</td>
<td>Q1</td>
<td>Taste, Moe’s</td>
</tr>
<tr>
<td>Oyster Point Plaza</td>
<td>$10,600,000</td>
<td>73,197</td>
<td>$145</td>
<td>Q2</td>
<td>Food Lion</td>
</tr>
</tbody>
</table>

## 2022 Top Sales (PORTFOLIO)

<table>
<thead>
<tr>
<th>Property</th>
<th>Sales Price</th>
<th>Square Footage</th>
<th>Price / SF</th>
<th>Quarter</th>
<th>Anchor Tenant(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blackstone Portfolio</td>
<td>$5.8b</td>
<td>20,284,368</td>
<td>$286</td>
<td>Q2</td>
<td>Multifamily, office, &amp; grocery-anchored assets. 1 asset in VB</td>
</tr>
<tr>
<td>Necessity REIT Portfolio</td>
<td>$1.3b</td>
<td>9,500,000</td>
<td>$137</td>
<td>Q3</td>
<td>81 retail assets. 1 asset in Williamsburg</td>
</tr>
<tr>
<td>DRA/KPR Portfolio</td>
<td>$879m</td>
<td>4,983,267</td>
<td>$176</td>
<td>Q3</td>
<td>35 grocery assets. 4 in Portsmouth, Virginia Beach, &amp; Suffolk. WHLR merger not incl</td>
</tr>
<tr>
<td>Stockbridge Portfolio</td>
<td>$209m</td>
<td>765,969</td>
<td>$273</td>
<td>Q1</td>
<td>6 grocery-anchored assets. 1 asset in Williamsburg</td>
</tr>
</tbody>
</table>

Source: Colliers, CoStar, RCA
# 2023 Retail Forecast

<table>
<thead>
<tr>
<th>Shopping Centers</th>
<th>Retailers</th>
<th>Capital Markets</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ABSORPTION</strong></td>
<td><strong>LEASE SQUARE FOOTAGE &amp; LEASE TERM</strong></td>
<td><strong>SALES VOLUME</strong></td>
</tr>
<tr>
<td><strong>RENT GROWTH</strong></td>
<td><strong>RETAIL OPENINGS</strong></td>
<td><strong>CAP RATES</strong></td>
</tr>
<tr>
<td><strong>COLLECTIONS</strong></td>
<td></td>
<td><strong>PRICE PSF</strong></td>
</tr>
</tbody>
</table>
“And will you succeed? Yes! You will, indeed! (98 and ¾ percent guaranteed).”

Thank you!
Multifamily: The End of a Cycle

Paul Van
Chief Executive Officer & Chief Investment Officer
The Year Began on a High Note

Q1 2022

• Vacancy near record lows
• Rent growth near peak levels
• Asset values at record highs
• Market liquidity at record highs
<table>
<thead>
<tr>
<th>Property</th>
<th>Submarket</th>
<th>Vintage</th>
<th>Units</th>
<th>Sale Date</th>
<th>Price</th>
<th>Price/Unit</th>
<th>Cap Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aura at Arbordale</td>
<td>Williamsburg</td>
<td>2019</td>
<td>288</td>
<td>22-May</td>
<td>$100,000,000</td>
<td>$347,222</td>
<td>3.58%</td>
</tr>
<tr>
<td>Coastline Apartments</td>
<td>Virginia Beach</td>
<td>1970</td>
<td>600</td>
<td>21-Nov</td>
<td>$98,500,000</td>
<td>$164,167</td>
<td>3.18%</td>
</tr>
<tr>
<td>Lumen Apartments</td>
<td>Hampton</td>
<td>2020</td>
<td>300</td>
<td>21-Sep</td>
<td>$82,000,000</td>
<td>$273,333</td>
<td>3.53%</td>
</tr>
<tr>
<td>Ellipse Urban</td>
<td>Hampton</td>
<td>2021</td>
<td>287</td>
<td>22-May</td>
<td>$80,000,000</td>
<td>$278,745</td>
<td>2.83%</td>
</tr>
<tr>
<td>Spring Water</td>
<td>Virginia Beach</td>
<td>2013</td>
<td>252</td>
<td>22-Apr</td>
<td>$75,200,000</td>
<td>$298,413</td>
<td>3.52%</td>
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<td>Sterling Manor</td>
<td>Williamsburg</td>
<td>2008</td>
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<td>$70,000,000</td>
<td>$338,164</td>
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<tr>
<td>Providence Green</td>
<td>Virginia Beach</td>
<td>1973</td>
<td>352</td>
<td>22-Jun</td>
<td>$69,500,000</td>
<td>$197,443</td>
<td>3.75%</td>
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<tr>
<td>Diamond North</td>
<td>Virginia Beach</td>
<td>2006</td>
<td>180</td>
<td>22-May</td>
<td>$55,000,000</td>
<td>$305,556</td>
<td>3.78%</td>
</tr>
</tbody>
</table>

Note 1: Purchased during lease-up, NOI not yet stabilized

We started the year coming off Q4 2021 record $755 million in quarterly sales for Hampton Roads

- Hampton Roads Cap rates reached record low: 3.5%-4%
- United States Cap Rates reached record low: 3%-3.5%
- May 2022: Aura at Arbordale sold, First $100M+ transaction, Record-high $347k/unit
- Big basis sales: Sterling Manor ($338k), Diamond North ($306k), Spring Water ($298k), Ellipse Urban ($377/sf)
Sales Volume Was Strong...

Hampton Roads Transaction History

Total Sales Volume

- 757 Q4 2021: $755mm (Record high)
- U.S. Multifamily Q4 2021: $158.1bn (Record high)

Source: CoStar
...But Plummeted in Q4-22

Hampton Roads Transaction History

U.S. Multifamily
Q4 2021: $158.1bn
(Record high)

U.S. Multifamily
Q4 2022: $48.2bn

757 Q4 2021: $755mm
(Record high)

757 Q4 2022: $173mm

757 Q4 2021: 77% YoY Decline

757 Q4 2022: 70% YoY Decline

Source: CoStar
A Stumble to the End of 2022

BY Q4 2022

• Fed rate hikes to fight inflation ignited economic slowdown
• Economic health of consumers deteriorated (savings, credit)
• Household formations declined to drive housing demand lower
• New apartment supply increasing (2023: ~500k new units in U.S.)
• Apartment operating fundamentals softened
• Lower asset values across the board
Vacancy Increased from Record Lows

Source: CoStar

Cyclical peak: Hampton Roads and United States: 2024: 8%+

Hampton Roads
Q4 2022: 6.4%
Q2 2021: 3.2%

United States
Q3 2021: 4.7%
Q4 2022: 6.2%

Record low:
Hampton Roads
Q2 2021: 3.2%
United States
Q3 2021: 4.7%

Norfolk 3-Star
Norfolk 4-5-Star
Norfolk
United States
Rent Growth Slowed from Record Highs

12-Month Asking Rent Growth

- **Record high:**
  - **Hampton Roads:** Q4 2021: 11.6%
  - **United States:** Q1 2022: 11.1%

- **Cyclical low:**
  - **Hampton Roads:** Q3 2023: 1.8%
  - **United States:** Q2 2023: 1.3%

Source: CoStar
Capital Markets Q1-22: Narrow Risk Premiums

Q1 Cap Rates and Borrowing Costs

- U.S. Cap Rate: 3.25%
- 757 Cap Rate: 3.75%
- Fixed Rate: 3%
- Floating Rate: 3.25%
Meltdown: Negative Leverage

Wide Bid/Ask Gap, Deal Flow Froze

Q1 Cap Rates and Q2-Q4 Borrowing Rates

- 425-475 bps over Cap Rate
- 175-225 bps over Cap Rate

U.S. Cap Rate: 3.25%
757 Cap Rate: 3.75%
Fixed Rate: 5.50%
Floating Rate: 8%

Q1 2022 vs Q2-Q4 2022
Deal Flow Resuming at Higher Cap Rates

- February 2023: Marina Shores sold, $101.9M transaction, 5.6% cap rate (~5.3% including repairs)
- February 2023: Waterford Apartments sold, $55.4M transaction, 5% cap rate
- This is a meaningful increase in cap rate over the past 12-18 months

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<td>Marina Shores</td>
<td>Virginia Beach</td>
<td>1991</td>
<td>392</td>
<td>23-Feb</td>
<td>$101,900,000</td>
<td>$259,949</td>
<td>5.3%-5.6%</td>
</tr>
<tr>
<td>Waterford Apartments</td>
<td>Virginia Beach</td>
<td>1978</td>
<td>376</td>
<td>23-Feb</td>
<td>$55,400,000</td>
<td>$147,340</td>
<td>5.0%</td>
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<tr>
<td>Providence Green</td>
<td>Virginia Beach</td>
<td>1973</td>
<td>352</td>
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Note 1: Purchased during lease-up, NOI not yet stabilized
Peak Market Investors Feeling Pain

• Value change on assets purchased two years ago (March 2021)
  • Hampton Roads: negative 5%-10%
  • United States: negative 10%-15%

• Value change on assets purchased one year ago (March 2022)
  • Hampton Roads: negative 20%-25%
  • United States: negative 25%-30%

• Hampton Roads is feeling less pain, but still not great

• Those who locked in cheap, long-term fixed rate debt will likely be able to weather the storm

• Those who financed with short-term floating rate debt may be in trouble
A Wave of Looming Peak Market Loan Maturities

Source: Newmark Research

~$500bn
What Options Do Peak Market Investors Have?

For assets with short-term floating rate debt:

1. Do nothing = negative cash flow after debt, expiring interest rate caps and softening operating fundamentals add more pressure

2. Sell = loss on initial equity investment
   • Hampton Roads: 20%-75% / United States: 40%-100%

3. Refinance = cash-in requirement on initial investment
   • Hampton Roads: 40%-75% / United States: 60%-100%

4. Borrower bankruptcy = high fees, trigger recourse

5. Lender foreclosure = equity investment wiped out

6. Loan workout = restructuring, forbearance (extend and pretend)
   • High fees
   • Will often require loan paydown
   • How will this be funded? Capital call from disgruntled investors?
   • “RESCUE CAPITAL!!”
Record Dry Powder = Distressed Values (Or Not?)

$400bn+ of Potential Rescue Capital on the Sidelines in 2023+

Source: Prequin, CBRE Research, October 2022
Rental Housing Softness Likely Short-Lived

Household Formation Has Outpaced Supply Since 2018

Source: Newmark Research, Federal Reserve Bank of St. Louis
Developer Sentiment Back to Early Pandemic Levels

New Supply Likely to Remain Muted Beyond 2024-2025

Housing Market Index (HMI) and Multifamily Production Index (MPI)
(Sub 50 Index = Poor Conditions)

Source: National Association of Home Builders (NAHB)
Own vs Rent Favors Renting

Affordability Gap Greater than Pre-Global Financial Crisis

Source: Marcus & Millichap 2023 Multifamily National Investment Outlook
Best Investment Ideas Today

1. Rescue Capital: providing preferred equity or mezz debt to overleveraged owners
2. Buying from distressed sellers
3. Buying from homebuilders affected by weak for-sale housing market
4. Traditional acquisitions: yields are more attractive than ground-up development
5. Hampton Roads: less volatility, typical late cycle market; so get in early

Only a brief window of opportunity
- Rental housing downturn will be mild
- $400bn+ dry powder: distressed situations but not likely distressed valuations
Survive 2023: Then the Future Looks Bright

• 2023 will be challenging for operating fundamentals and capital markets
• Credit spreads may narrow but debt rates to remain elevated in 2023
• Asset values may drop another 5% to reach neutral leverage (cap rate = debt rate)
• Multifamily to remain a top target for investors
• Market liquidity and deal flow expected to return mid/late 2023
• Start of a market cycle recovery = best opportunities
• Long-term fundamentals for rental housing remain strong
• Hampton Roads will remain one of the most resilient markets in the U.S.
HAMPTON ROADS 2023 REAL ESTATE MARKET REVIEW & FORECAST
E.V. WILLIAMS CENTER FOR REAL ESTATE at The Harvey Lindsay School of Real Estate
Residential:
2022 Story of 2 Halves

J. Van Rose Jr., MIRM
Principal Owner
Rose & Womble Realty Co., LLC
The 2021 Market
Second Half of 2022 Market
The Way it Feels
December 2021 – there were 2,275 sales
January 2023 – there were 1,929 sales
The Truth ...

2019 - 28,973 Sales

2021 – 36,891 Sales

2022 - 30,057 Sales

Compared to 2021, the Market *Feels* Like a full STOP
Primary Reasons for Slowdown?

OUT OF STOCK
The Speed of Interest Rate Changes

Interest Rate Paralysis
Interest Rate Shock!

1st half of 2022 vs. 2nd half of 2022

$350,000

2.5% Interest Rate
$1,382 Payment

6.5% Interest Rate
$2,212 Payment

$830
2022 Resale Market

Average sales price for 2022 - $344,661, up 7.5%
28,481 units, down 17.9%
1\textsuperscript{st} half of 2022 median market time - 7 days
2\textsuperscript{nd} half of 2022 median market time - 24 days
2022 New Construction Market

Average sales price $458,850, up **13.6%**

- 3,160 units **Down 11.5%**, year over year per REIN data
- Building permits **Down 22%** year over year
- It only takes **1.5 Months** to absorb ALL New Homes in the market!
## 2022 Top Builders

<table>
<thead>
<tr>
<th>Builder</th>
<th>Homes</th>
</tr>
</thead>
<tbody>
<tr>
<td>NVR Ryan Homes</td>
<td>905</td>
</tr>
<tr>
<td>Dragas Companies</td>
<td>142</td>
</tr>
<tr>
<td>Napolitano Homes</td>
<td>124</td>
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<tr>
<td>Franciscus Homes</td>
<td>99</td>
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<tr>
<td>Chesapeake Homes</td>
<td>80</td>
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<tr>
<td>Kirbor Homes</td>
<td>63</td>
</tr>
<tr>
<td>Weldenfield &amp; Rowe</td>
<td>62</td>
</tr>
<tr>
<td>Terry-Peterson Cos</td>
<td>60</td>
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<tr>
<td>Platinum Homes</td>
<td>56</td>
</tr>
<tr>
<td>EDC Homes</td>
<td>55</td>
</tr>
</tbody>
</table>

NVR Ryan Homes = **905 homes**

Next 9 builders combined = **681 homes**
Challenges to the Resale Market

Interest rate Uncertainty

Inventory is extremely low

Current Homeowner reluctance to go on market

Lack of good properties
Challenges to the New Construction Market

Development costs out of control
  Was $50K per lot; Now approaching $90K per lot

Cost of Goods
  Prices of materials continue to increase
  Delivery better but still slow on many products

Interest Rates
  To Buyers: ex: $450,000 at 6.5% = $3,400 all in
  Need $163,000 income to qualify

  To Builder: Carrying $5,000,000
    at 2.5% = $10,000/month
    at 7.0% = $32,000/month
Market looking for Interest Rate Stability

**Predictions**

*Low Inventory* will continue keeping *Prices High*

Demand still high, just need the *Caution Flags* to go down

*400,000* Millennials and *378,000* Baby Boomers in this market - two largest buying groups in American history
Strong Local Economy will Guard Against Recession
To the Builders ...

If you build it, they will come
# Residential Report Card

<table>
<thead>
<tr>
<th>Category</th>
<th>Grade</th>
</tr>
</thead>
<tbody>
<tr>
<td>BUYERS</td>
<td>C</td>
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<tr>
<td>SELLERS</td>
<td>A-</td>
</tr>
<tr>
<td>AGENTS</td>
<td>C</td>
</tr>
<tr>
<td>BUILDERS</td>
<td>B+</td>
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<td>DEVELOPERS</td>
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Please join us for a reception in the Big Blue Room.