

# hampton roads

REAL ESTATE MARKET REVIEW

# 2016



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# 2016

## hampton roads

REAL ESTATE MARKET REVIEW

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# MESSAGE FROM THE DIRECTOR

# W

elcome to the 2016 Hampton Roads Real Estate Market Review & Forecast. For over two decades, the E.V. Williams Center for Real Estate (formerly CREED) has been working with community leaders to produce the Market Review report. This year's reports and presentations examine nine areas of interest in the Hampton Roads real estate markets, including: economic trends, financing, office, industrial, retail, multi-family, investment, residential, and market sentiment. Thank you, to this year's reporters for sharing their industry expertise and for contributing their invaluable time and leadership to this event and to the Center.

As part of Old Dominion University's Strome College of Business, the E.V. Williams Center for Real Estate strives to connect the Hampton Roads' community with the research underway at the University. Through our dedicated membership, comprised of community leaders and industry experts, we educate and empower the next generation of business professionals, community leaders and real estate industry experts. Thank you, to our growing membership for its continued support of the Center and for assisting in the engagement and education of our students - the Center would be unable to achieve its mission without the dedication of its members and executive board.

Throughout the year, the E.V. Williams Center works to engage its members and ODU students by hosting networking events and conducting research. To learn about our upcoming events or to become more engaged with the E.V. Williams Center please contact Andy Hansz, [jhansz@odu.edu](mailto:jhansz@odu.edu), or Natalie Boehm, [nmcgaugh@odu.edu](mailto:nmcgaugh@odu.edu).

Thank you for attending the 2016 Market Review & Forecast and for supporting the E.V. Williams Center for Real Estate. We look forward to seeing you at future events.

**J. Andrew Hansz, Ph.D., MAI, CFA**

Robert M. Stanton Chair in Real Estate, Finance Department, Strome College of Business  
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For membership or programming inquiries, please contact Andy Hansz by telephone or email, 757.683.3505 or [jhansz@odu.edu](mailto:jhansz@odu.edu)

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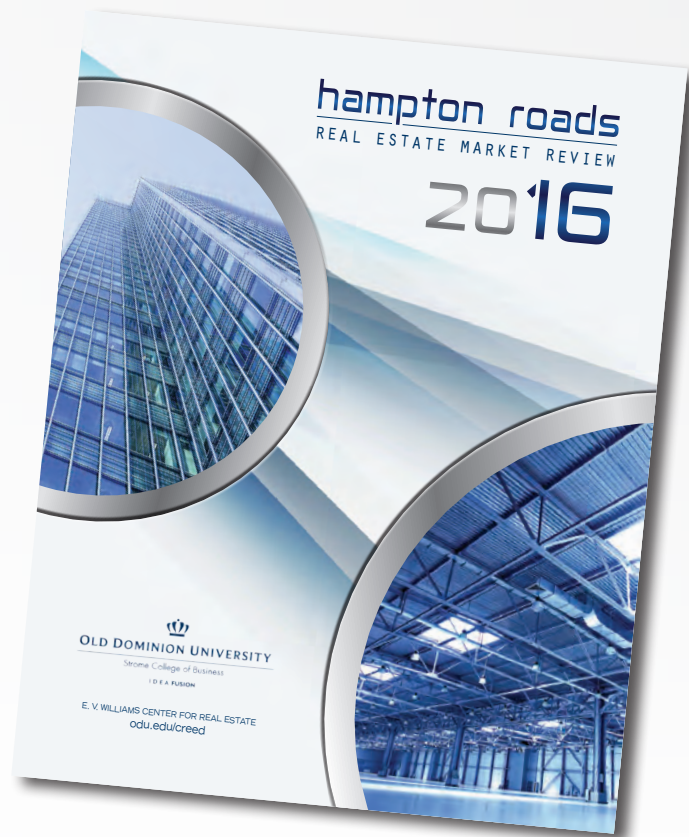
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MILLION  
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\*As of 9/30/15 \*\*As compared to 9/30/14



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# HAMPTON ROADS



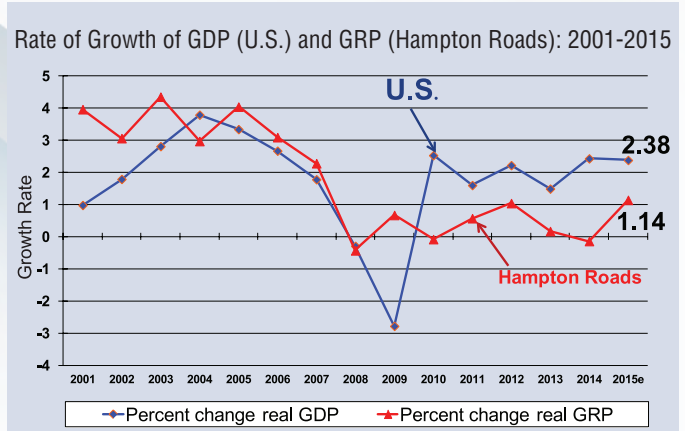
# ECONOMIC TRENDS/FORECASTING



Hampton Roads' economic growth will continue to be slower than the region's historical annual average, and slower than that of the nation. The region's past few years of sluggish growth is primarily due to the deceleration of the Department of Defense's (DOD) spending - Hampton Roads' economy has been and continues to be heavily dependent on DOD spending. The region needs to diversify, moving away from direct federal spending. While this could mean less growth in certain years, it will provide more opportunities for Hampton Roads' to control its own economic destiny. To accelerate this process, it is essential for Hampton Roads to begin acting as a region rather than a series of independent communities.

VINOD AGARWAL, PhD  
Professor, Old Dominion University

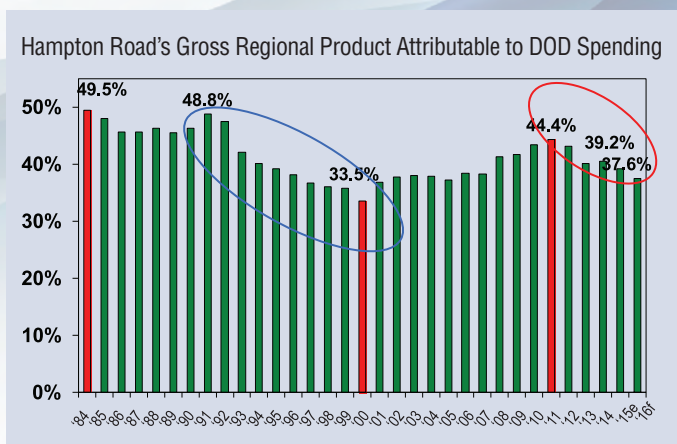
The Hampton Roads economy is expected to grow at a slightly higher rate (1.59%) in 2016 than in 2015 (1.14%). However, regional growth in 2016 will continue to be slower than its historical annual average of 3.1% and slower than that of the nation. Whereas the real U.S. GDP grew by a total of 8.0%, from 2010 to 2014, Hampton Roads real GRP grew only 1.6% during the same period.



Source: Bureau of Economic Analysis and the Old Dominion University Economic Forecasting Project. Data on GDP incorporates latest BEA revisions in September 2015. e represents estimated value.

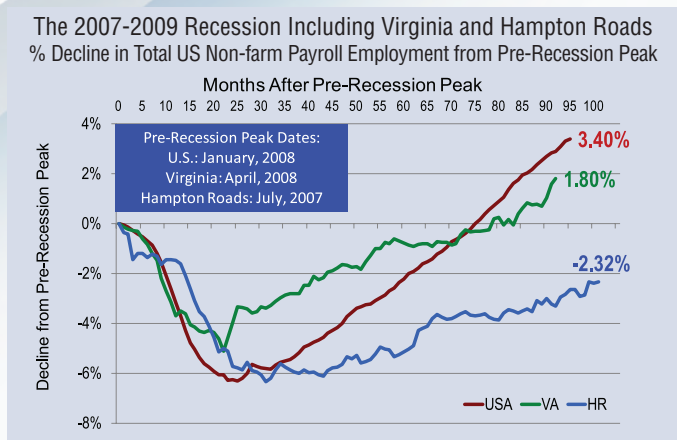
The primary reason for sluggish economic growth in Hampton Roads over the past few years is the deceleration of Department of Defense (DOD) spending. Between 2000 and 2012, DOD spending in the region increased annually at a rate of 5.65%, compounded. However, DOD expenditures in 2016 are anticipated to be 2.8% lower than the peak observed in 2012.

The Hampton Roads economy has been and continues to be heavily dependent on DOD spending. Its dependence decreased from 48.8% to 33.5% during the 1990s and currently sits at 39.2% - after peaking more recently at 44.4% in 2011. Alas, this is a movie Hampton Roads has seen before, involving painful economic readjustments as resources and people move from one activity to another. This time, however, the regional economy's private sector has not taken up the slack like it did during the 1990s defense spending drawdown. Currently, the total number of private sector jobs in Hampton Roads is about 15,000 below the peak enjoyed in 2007.

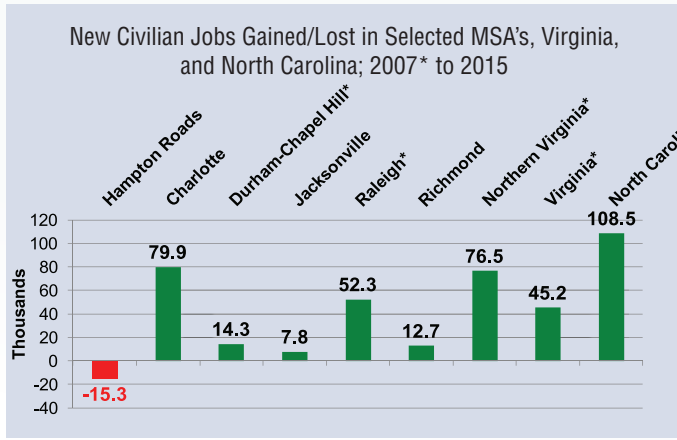


Source: U.S. Department of Defense , U.S. Department of Commerce, and the Old Dominion University Economic Forecasting Project. e represents estimated value ; f represents forecasted value.

The Great Recession affected the job market throughout the United States. The U.S. economy lost 8.7 million jobs from January 2008 through February 2010, about 6.3% of all jobs. It took about 75 months to recover the jobs lost. Compared to the U.S., the Commonwealth lost about 5.1% jobs from April 2008 to February 2010. The jobs lost were not recovered until November 2014. The Recession cost Hampton Roads approximately 49,500 jobs (6.3%) from July 2007 through February 2010; the region remains about 18,000 jobs short of the peak observed prior to The Recession.

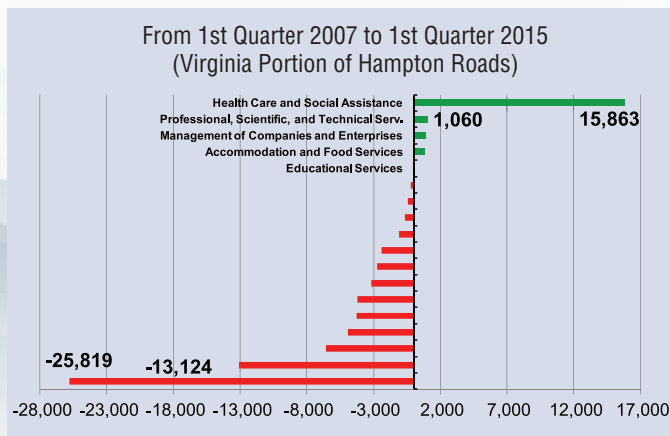


Examination of annual data on jobs through 2015 shows, that although Hampton Roads continues struggling to create jobs, metro areas just south of the region are continuing to add a significant number of jobs. Northern Virginia and Richmond are the only major metro areas in Virginia that have created large numbers of jobs.



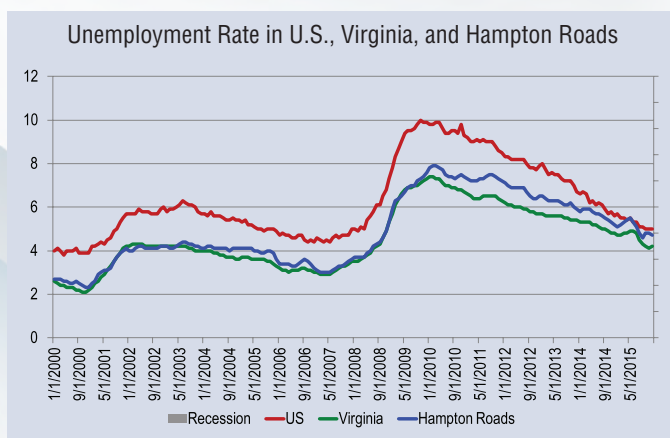
Source: U.S. Department of Labor CES seasonally unadjusted data and the Old Dominion University Economic Forecasting Project. \* Peak employment in Raleigh, Durham, Northern Virginia, and Virginia occurred in 2008. Change for these areas is shown for 2008 through 2015. Data will be revised in March 2016.

A comparison of jobs gained/lost in major employment sectors, from the first quarter of 2007 through the first quarter of 2015 shows that the Hampton Roads economy succeeded in creating about 16,000 jobs in Health Care and Social Assistance while losing 26,000 jobs overall. Further, Hampton Roads has lost a significant number of jobs in higher paying sectors. One exception is Professional, Scientific and Technical Services Sector, where 1,060 jobs have been added since 2007. Even here, however, 300 jobs were lost from the first quarter of 2008 to first the quarter of 2015.



Source: Virginia Employment Commission: Covered Employment and Wages by Private Ownership and the Old Dominion University Economic Forecasting Project.

The Great Recession and its aftermath resulted in the national unemployment rate increasing from about 5% to approximately 10%. A similar phenomenon is observed in the Commonwealth and in Hampton Roads. Since then, the unemployment rate in all three areas has decreased substantially. Interestingly, prior to the Recession, the unemployment rate in Hampton Roads was very close to that of the Commonwealth. Since the Recession, Hampton Roads' unemployment rate is about 50 basis points higher than the Commonwealth's.

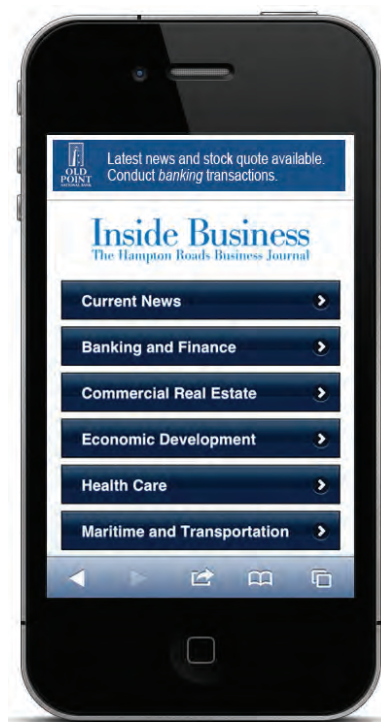


Source: Bureau of Labor Statistics.

While a declining unemployment rate is good news, there has also been a decline in labor force participation. Meaning, many individuals have left the labor force and are therefore not considered unemployed. The reasoning behind this is unclear; but, perhaps it can be attributed to discouraged workers, changing demographics, a more generous social safety net, or a rise in worker disability claims.



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# FINANCING



**JEREMY STARKEY**  
President, Monarch Bank Commercial Real Estate Finance

For the last several years, CRE lending in Hampton Roads has been dominated by community banks. This is important, because larger banks are exiting the market due to consolidation and balance sheet allocation issues. Only five of the top 25 U.S. banks, by asset size, have a physical presence in Hampton Roads; and, only one of those five banks has a local CRE lending platform. As of June 30, 2015, the FDIC reports that only approximately 600 banks in the U.S. are in excess of \$1 billion in asset size, the point at which they are capable of providing meaningful and consistent capital to the CRE community - 11 of these banks serve the Hampton Roads market.

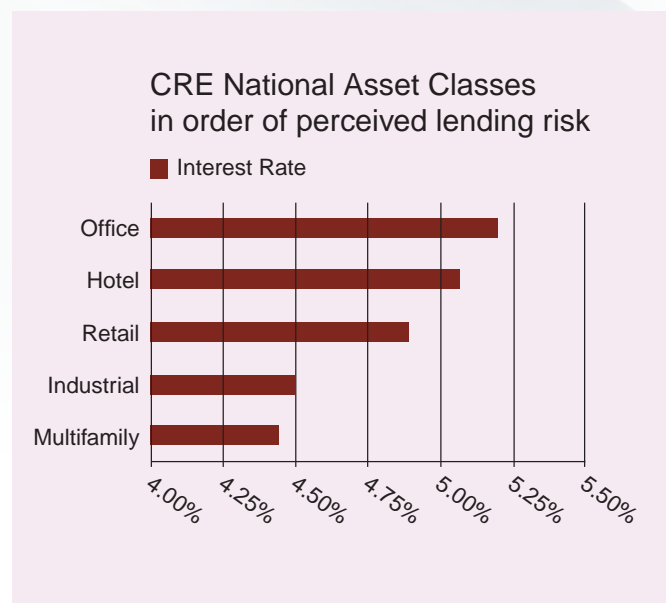
The ability to execute defines lenders in a competitive market. Dysfunction in the market, like the 2008 Recession, created opportunities for healthy community banks at the expense of larger banks and capital markets lenders. This shift in opportunity caused capital market lenders to retract or completely exit the market, at least temporarily.

Capital markets lending activity declined substantially during the Recession and did not reemerge until late 2011. These lenders continue conducting business in Hampton Roads while maintaining a healthy level of skepticism regarding prospects for consistent long-term market growth due to a perceived lack of wealth and a dependence on federal government spending.

While there are generally fewer sources of CRE financing now than seen historically, those remaining are healthy and active. Hampton Roads remains a tertiary market, so community banks and certain capital markets lenders will continue to battle for quality deals, with a handful of large banks poaching the strongest deals from afar using their pricing power.

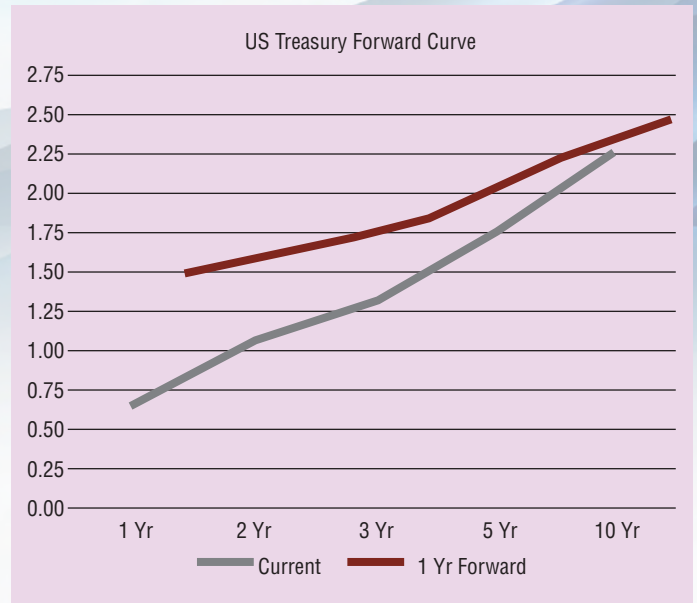
According to the Bank Director 2015 Growth Strategy Survey, CRE loans are expected to drive growth in the community banking sector. 82% of community banks surveyed list CRE as their top growth segment. Only 54% of big banks listed CRE as their top segment. This is good news for developers and investors who prefer local relationships. 88% of all banks in the same survey voiced concern about competitors' relaxation of credit standards in order to increase loan volume. During the current period of marginal economic expansion, all lenders have to relax their credit standards to help generate loan volume.

Banks continue to lend to the five major CRE asset classes. Multifamily remains the most preferred class, as occupancy and rental demographics have remained strong in the face of significant unit absorption. As a result of balance sheet concentration and targeted allocation issues for particular lenders, capital markets lenders are exiting certain asset classes. Perceived asset class risk in the Hampton Roads market is more equal than reflected in the CRE National Asset Classes, in order of perceived lending risk chart, as significant industrial and office vacancies have largely been absorbed.



## INTEREST RATES

According to a recent Bank CEO survey, 82% of survey respondents said they believe rising interest rates will be one of the top issues impacting the market in 2016. For the first time since 2006, we are in a rising rate environment with a 50 bps increase in the Fed Funds rate, generally expected in 2016. The much-anticipated December 2015 rate hike had no material impact on long-term rates. Expected future short-term rate hikes are also unlikely to materially impact long-term rates, resulting in a flattening yield curve, as seen in the U.S. Treasury Forward Curve chart. Despite stable long-term rates, macro market uncertainty has been pushing the spreads on capital markets loans higher, canceling out any short term Treasury yield declines. The U.S. is still in an historically low rate environment, so, to be conservative, experienced developers should continue to model deals at a 6.00% fixed rate to account for future rate increases. If deals work at 6.00%, they'll work better at 4.75%, financially benefitting everyone.



## DEAL TERMS

Navigating the lending options for your project can be difficult. The table below provides available terms in today's environment:

TYPICAL FINANCING TERMS	CRE LENDER SEGMENTS			
	Banks	Credit Unions	Capital Markets (CMBS & LifeCo)	Agencies (Fannie & Freddie perm, HUD & VHDA construct/perm)
Stabilized Acquisition/Refinance	75% - 80% LTV 5 - 10 year fixed 20 - 25 year am Recourse No pricing consistency All asset classes Lower fees Limited structure Flexible prepayment	75% - 80% LTV 5 - 10 year fixed 20 - 25 year am Recourse flexible No pricing consistency Some asset classes Lower fees Limited structure Less flexible prepayment	65% to 75% LTV, 10 years and up fixed 20 - 30 year am Non-recourse True market pricing All asset classes Higher fees Highly structured Onerous prepayment	75% - 85% LTV 10 years and up fixed 25 to 40 year am Non-recourse Market-based pricing Multifamily only Higher fees Highly structured Onerous prepayment
Construction	75% - 85% LTV 1 - 5 year floating/fixed Recourse No pricing consistency All asset classes Lower fees Limited monitoring Fewer doc requirements	Not available	Not available	Up to 85% LTV 30 to 40 years fixed Non-recourse Market-based pricing Multifamily only Higher fees Heavily monitored Heavily documented
Bridge	75% - 80% LTV 1 to 5 year floating/fixed Recourse No pricing consistency All asset classes Lower fees Reliance on guarantors	Not available	65% to 75% LTV 1 to 3 years floating Non-recourse Market-based pricing Limited asset classes Higher Fees	Some Fannie and Freddie lenders provide balance sheet bridge programs comparable to capital markets bridge terms

## DEAL VOLUME

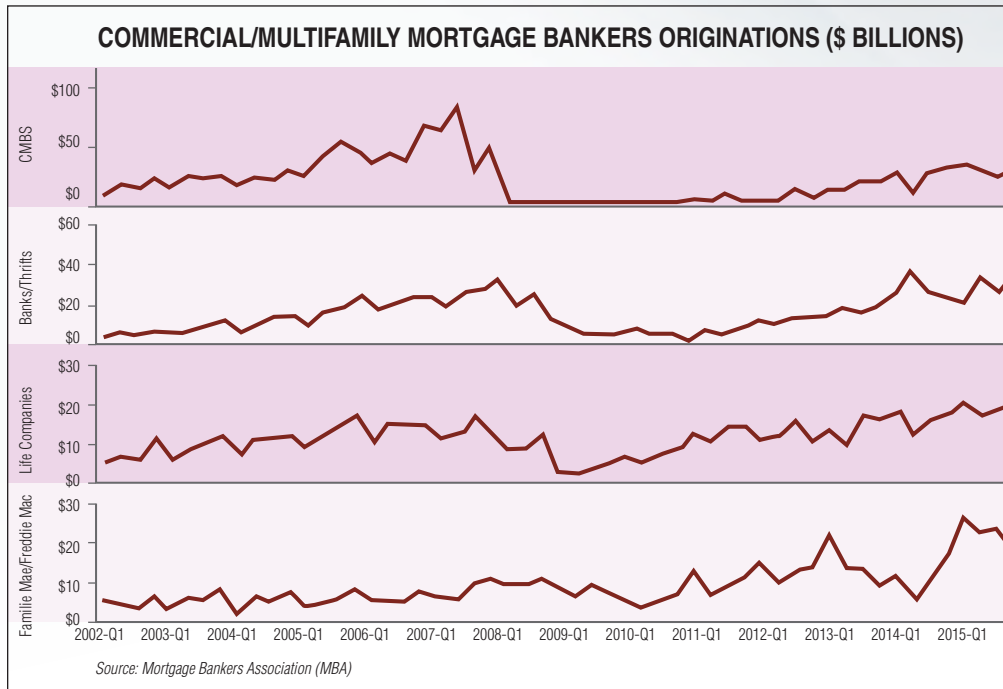
According to the Mortgage Bankers Association (MBA), bank CRE lending volume is up approximately 29% from 2014 with similar results expected for 2015 through 2017, as general market metrics remain stable and interest rate expectations are tempered. The MBA Commercial/Multifamily Mortgage Bankers Originations chart reflects historical highs of CMBS originations from 2005 to 2007. Approximately \$300 billion of CMBS debt is in the middle of being refinanced and will positively impact lending volumes through the end of 2017 before all but disappearing in 2022. Bank, Life Company, and Agency volumes have all surpassed the previous highs of 2004 – 2006, reflecting the strength of the current market.

## CURRENT RISK MANAGEMENT TRENDS

Conservative lending practices are all the rage as lessons from the recession have been learned. CRE borrowers should be prepared for:

- Geographic coverage and sponsor location – most community banks prefer lending to sponsors and projects within their geographic footprint. Large banks and capital markets lenders have an advantage as they are not as geographically restricted;
- Sponsor experience and financial strength – regardless of recourse, lenders desire sponsors to exhibit adequate CRE experience along with minimum liquidity and net worth hurdles.
- Stress testing – bank regulators are demanding portfolio and project-specific stress testing for interest rate and cap rate increases with specific attention to the impact of those changes on DCR and LTV.
- Reserves – regularly seen with capital markets' loans, some banks are now requiring reserves to compensate for leasing risk and capital expenditures, especially with weaker sponsors.

Absent any unanticipated negative macroeconomic or geopolitical events, experienced and financially capable borrowers will see an adequate number of CRE lending options for a variety of projects while rates remain attractive.





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# OFFICE MARKET



**JOHN PROFILET**  
Vice President, S.L. Nusbaum Realty Co.

The Hampton Roads office market started seeing new life in 2015, with steady progress towards positive absorption. Overall vacancy decreased to 11.3%. Class A office product led the vacancy decrease indices, falling ever so slightly each quarter throughout 2015 from 11.8% to 10.1%. Class B office product increased vacancy to 14% from 13% at the start of 2015.

Very little new Class A office product was under construction or delivered in 2015. However, three noteworthy projects include: the 50,000 square foot Convergence Center V, anchored by The Law Firm of Wolcott Rivers Gates; the 25,000 square foot Harbor View Health Center, which was a speculative development and is now 100% occupied; and, the 103,700 square foot Bon Secours DePaul Medical Plaza. Currently, under construction are a 35,000 square foot office building at 105 Professional Parkway in Yorktown, and a 27,000 square foot multi-use building in Newport News. The Yorktown office building is 86% preleased to The Bionetics Corporation. The multi-use building in Newport News, known as The Market Place at Tech Center V, is 75% preleased.

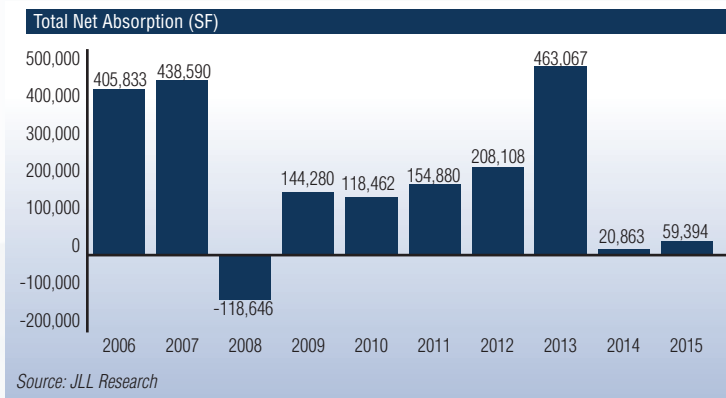
The phenomena of office inventory removal continued in 2015 thus improving the Class B – C office vacancy factors, although somewhat artificially. The repurposing of Class C and now Class B office product into urban multi-family dwellings continues unabated.

The repurposing of office space into urban dwellings is exhibited in the removal of the 107,000 square foot Wainwright Building, the 73,000 square foot James Madison Office Building, the 113,000 square foot Law Building, and the 25,000 square foot Virginia Building from the office market. The 340,000 square foot Bank of America Building, at One Commercial Place, will most likely be leaving the office market as well. Almost 3/4 of a million square feet of Class B – C office space has left the survey. When the Bank of America deal happens, the vacancy rate of Class B office properties in Downtown Norfolk would immediately adjust from a 4th Quarter 27% vacancy factor to a 19.38% vacancy factor.



Overall asking rental rates for Class A product averaged \$20.86 per square foot while Class B product lagged behind at an average of \$16.37 per square foot. Class A CBD asking rental rates averaged \$19.94 per square foot in Oyster Point, \$22.73 per square foot in Downtown Norfolk, and \$27.02 per square foot in Virginia Beach Town Center.

Asking rental rates for Class B product averaged \$16.37 per square foot and Class C asking rental rates fell to an average of \$12.46 per square foot. Class B CBD asking rental rates averaged \$14.38 per square foot in Oyster Point, \$19.05 per square foot in Downtown Norfolk, and \$20.32 per square foot in Virginia Beach Town Center.



## MOVEMENT IN THE MARKET

2015 brought forth some exciting movement in the office sector. Perhaps the deferred decisions of the Great Recession are finally coming to fruition. Following is a summary of tenants who physically relocated offices or fully executed leases in calendar year 2015:

1. **Bon Secours** – 50,000 sq ft into 155 Kingsley Ln., Norfolk (the new Bon Secours DePaul Medical Center)
2. **Stewart Title** – 44,148 sq ft into 1434 Crossways Blvd., Chesapeake
3. **Children’s Hospital of The King’s Daughters** – 38,000 sq ft into 500 Independence Pwy., Chesapeake (Battlefield Technology Center)
4. **QED Systems** – 33,000 sq ft into 5151 Bonney Rd., Virginia Beach
5. **Pariser Dermatology Specialists** – 31,591 sq ft into 6160 Kempsville Circle, Norfolk, (Smithfield Building)
6. **Wall Einhorn Chernitzer** – 27,748 sq ft into 150 Main St., Norfolk
7. **PRA** – 27,614 sq ft into 150 Corporate Blvd., Norfolk
8. **Sentara** – 26,214 sq ft into 863 Glenrock Rd., Norfolk
9. **Wolcott Rivers Gates** – 26,012 sq ft into 200 Bendix Rd., Virginia Beach (Convergence Center V)
10. **CACI, Inc.** – 23,884 sq ft into 1301 Executive Blvd., Chesapeake
11. **Children’s Hospital of The King’s Daughters** – 22,713 sq ft into 301 Riverview Ave., Norfolk (Fort Norfolk Plaza)
12. **Preferred Direct Marketing** – 21,816 sq ft into 5935 Thurston Ave., Virginia Beach
13. **T. Parker Host** – 20,773 sq ft into 150 Main St., Norfolk
14. **HDR Engineering** – 18,486 sq ft into 249 Central Park Dr., Virginia Beach
15. **Brown and Caldwell** – 17,765 sq ft into 301 Bendix Rd., Virginia Beach (Convergence Center IV)

## OFFICE MARKET TRENDS

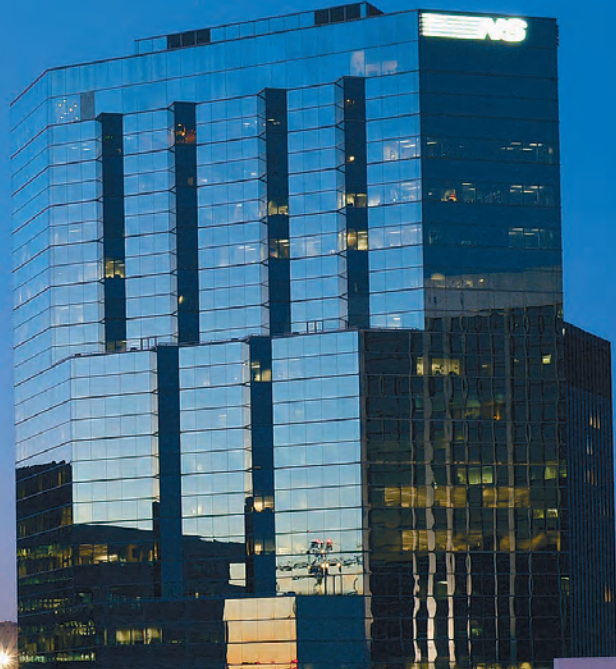
- Square footage per employee continues to decrease;
- Open planning continues to increase density - high and light space with hard surfaces adds employee energy;
- Hard-wall loving baby boomers are being phased out by millennials who put less emphasis on private offices and more on collaboration space;
- Technology continues to promote productivity away from the office – employees can work when, where, and how they want;
- Hotel style office work spaces where employees find a spot, plug in, and go to work;
- Younger workforce does not like being tethered to a work station – they prefer to self-select their work location and consistently report high satisfaction;
- Being able to hear and see one another freely drives the pace and accountability of a team;
- Managers now prefer open space to “coach in the moment”;
- Office designs are eliminating “toy rooms” (i.e. foosball, ping pong, and nap rooms), employees simply want to finish their work and play elsewhere.

### TREND

2016 should show a continued climb in transactional activity and absorption across all classes of office space. As Hampton Roads approaches 50 million square feet of inventoried commercial space, the planning process of new construction should begin for new product deliveries in late 2017.







# INDUSTRIAL MARKET REVIEW



The Hampton Roads industrial market remains stable. Leasing activity and vacancy rates were positive indicators for 2015, showing modest improvement over previous years .

**BILL THRONE**  
 First Vice President, Industrial Properties  
 Cushman & Wakefield/THALHIMER

YEAR	2008	2009	2010	2011	2012	2013	2014	2015	AVG 2008-2015
TOTAL INVENTORY:	91,008,291	91,933,325	92,026,748	92,252,651	93,190,095	93,233,984	93,401,290	94,179,644	<b>92,653,254</b>
INVENTORY GROWTH:		1.02%	0.10%	0.25%	1.02%	0.05%	0.18%	0.83%	<b>0.49%</b>
GROSS ABSORPTION:	4,455,322	4,431,104	3,086,625	3,961,916	4,298,482	3,443,680	2,975,797	4,709,537	<b>3,920,308</b>
% of INVENTORY	4.90%	4.82%	3.35%	4.29%	4.61%	3.69%	3.19%	5.00%	<b>4.23%</b>
NET ABSORPTION	819,953	-286,420	480,309	255,380	979,458	-26,634	898,627	1,908,129	<b>628,600</b>
% of INVENTORY	0.90%	-0.31%	0.52%	0.28%	1.05%	-0.03%	0.96%	2.03%	<b>0.67%</b>
VACANCY RATE:	8.60%	9.60%	9.10%	9.10%	9.00%	9.00%	8.20%	7.00%	<b>8.70%</b>

Source: CoStar

## DEMAND AND AVAILABILITY

Warehouse and distribution needs are being met by existing product for local third party logistics providers with adequate Class B and C product available at affordable rates and reasonable terms.

Companies requiring large-block Class A distribution facilities can be accommodated on a build-to-suit basis to the west in Isle of Wight, Southampton County and Suffolk. Land is available and national and regional developers can provide completed buildings in as little as nine months, from lease execution.

General industrial companies between 10,000 and 50,000 square feet will find buildings available in the market. Location will drive rents/values with in-demand areas such as Virginia Beach and Chesapeake commanding the highest pricing. Norfolk, Portsmouth and Chesapeake on the west side of the Elizabeth River offer value, with quality buildings available for sale or lease at 10%-20% less than similar

properties in the Greenbrier or Lynnhaven submarkets. Manufacturing has not fully recovered from the 2008 Recession. Buildings over 50,000 square feet designed and built for assembly and manufacturing continue to sit idle. This may be the one segment of the market to watch. A growing manufacturing base will benefit the entire region.

## RENTS

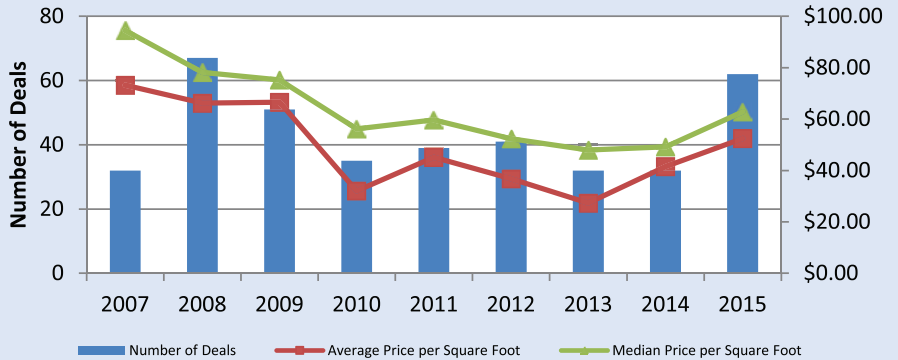
Rents in 2015 were stable, with a modest upward trend. Quality buildings located in healthy submarkets command the highest rates. Greenbrier and Lynnhaven for example are casting leases in some cases over \$7.00 per square foot. Warehouse rents, on the other hand, continue to hover around the \$4.00 NNN. Again, location and functionality are driving rates. It is not anticipated that rents will show significant gains in the coming year.

## BUILDING SALES

Building purchases showed a significant upswing in 2015, both in terms of total buildings sold and pricing. Over 2.1 million square feet sold with a transaction volume total of almost \$114 million. Functional properties in strong submarkets commanded the highest prices. Older obsolete buildings with functional limitations did trade, but at discounted per square foot pricing. Opportunities for retrofitting and repurposing existing properties will present themselves in older, core submarkets such as Norfolk Industrial Park.

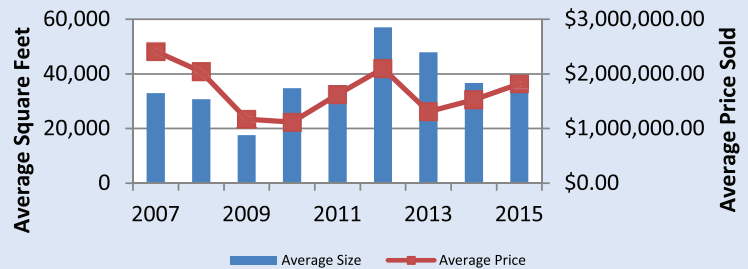
These building sale numbers may reflect a growing business confidence. Building sales are typically dominated by owner users. However, average building size traded was down slightly from 36,708 square feet to 34,561 square feet, a 5.8% drop.

**Industrial Sold: Average Price PSF / Median Price PSF**



Source: Thalhimer

**Industrial Sold: Average Size SF / Average Price**



Source: Thalhimer

## VACANCY AND CONSTRUCTION

New construction continues to stall due to a combination of low rents and high land/construction costs. As a result, inventory growth has been minimal, contributing to the modest reduction in total vacancy.

YEAR	2008	2009	2010	2011	2012	2013	2014	2015	AVG 2008-2015
# OF DELIVERIES:	28	10	4	6	6	2	5	6	8
DELIVERIES (SF):	2,248,983	925,034	93,423	225,903	937,444	43,889	167,306	778,354	677,542
% of INVENTORY:	2.47%	1.01%	0.10%	0.24%	1.01%	0.05%	0.18%	0.83%	0.49%
TOTAL INVENTORY:	91,008,291	91,933,325	92,026,748	92,252,651	93,190,095	93,233,984	93,401,290	94,179,644	92,653,254
INVENTORY GROWTH:		1.02%	0.10%	0.25%	1.02%	0.05%	0.18%	0.83%	0.49%

Source: CoStar

There has been little speculative development, and currently there are no major projects planned or under construction.

Using the traditional real estate cycle, the Hampton Roads industrial market is somewhere between 6 and 7 o'clock. Further reductions in the vacancy rate and additional increases in total leasing activity will be needed to stimulate speculative development.



### IF I WERE TO BUILD SPECULATIVE PRODUCT...

Product that is most in demand is high-quality industrial located in core markets. Institutional builders/owners should build with tilt-concrete construction and clear heights of 32' with ESFR sprinkler systems. Suite sizes will range from 20,000 to 50,000 square feet. Dock and grade level loading if possible, and truck courts of at least 130' and adjacent trailer drop yard.

Local developers will find prospects for small to mid-range companies looking for access to population; moderate building heights of 18' to 24' and three phase power.

### CONCLUSION

Overall, the Hampton Roads industrial market performed well in 2015. Looking forward, most real estate practitioners are guardedly optimistic, 'One year a trend does not make...' However, both gross and net absorption finished in a healthy range (over 5% and 2% of total inventory respectively). The total number of building sold in the year increased significantly. Market vacancy is below 7%, and port container volumes continue to set new records.

Look for 2016 to either confirm or diminish market optimism. On the positive side of the ledger, the Panama Canal expansion is close to completion. Virginia and Hampton Roads unemployment is moving toward pre-recession levels. Dominant influential factors outside of local market control will be military spending, the economies of both Europe and China and energy pricing.

It is expected that 2016 will continue its positive performance with modest improvements in activity, vacancy and rent growth.



# RETAIL



2015 continued to be an active year in Hampton Roads real estate's retail submarket – with overall improvement in market conditions. Although, there is moderate optimism that the commercial real estate industry will continue to strengthen, 2016 offers sustained steadiness in market activity.

**MICHAEL GURLEY**  
Senior VP, Director of Leasing, S.L. Nusbaum Realty Co.

Grocery stores remain the headliner, sustaining dominance of the market. But, they are not over shadowed by expanding non-grocery retailers.

Planet Fitness took the market by storm; opening several new locations including Regency Hilltop in Virginia Beach, and Triangle Center in Portsmouth. Topgolf, Hobby Lobby, Gabriel Brothers, Apple and L.L. Bean share in our region's positive growth activity.

A new player joined the ever-growing grocery market: Aldi, a German-based discount supermarket chain, has inked five new leases in the region, and is working on adding ten more. Harris Teeter continues to expand with its addition of a new location in the Red Mill area of Virginia Beach. Whole Foods is also growing, and opened its latest location in the Tech Center of Newport News. Walmart Neighborhood Market, Kroger, Food Lion, Farm Fresh, Fresh Market, and Trader Joe's are holding their positions as strong competitors. Meanwhile, rumors of Lidl, Wegman's and Earth Fare continue to circulate.





Notable deliveries in 2015 include a 136,454 square foot Sam's Club on Little Creek Road in Norfolk, and a 230,000 square foot Marketplace at Tech Center in Newport News – which already houses Whole Foods, DSW and P.F. Chang's. Kroger opened a 124,000 square foot store, followed by TJ Maxx occupying a 24,000 square foot junior anchor position at Midtown Marketplace. The region has seen much development, including the establishment of a new 172,900 square foot neighborhood center developed on I.C. Norcom High School's former site in Portsmouth. Pembroke Mall in Virginia Beach continues its transformation, announcing its addition of REI, DSW, Fresh Market and Nordstrom Rack.

2015 saw the significant acquisitions and mergers of numerous retailers, including, Office Max and Office Depot, Dollar Tree and Family Dollar, Kroger and Harris Teeter, Mattress Firm and Sleepy's, Walgreens and RiteAid. Mergers and acquisitions were not limited to retailers; banking institutions also saw change with TowneBank purchasing Monarch Bank and Southern Bank acquiring Heritage Bank.

Sears and Kmart continued to consolidate their operations throughout Hampton Roads. Macy's recently announced shutting down six stores in Virginia - three in the Richmond area and three in Hampton Roads. Those closing in Hampton Roads are located in Chesapeake Square, Peninsula Towne Center and The Gallery at Military Circle.

Development, growth and improving market conditions will continue into 2016. The intersection of I-64 and Battlefield Blvd. in Chesapeake will welcome a new Kroger, a Field & Stream and a Dick's Sporting Goods. The Norfolk waterfront is slated to begin construction of Waterside Live, the new entertainment complex. The Simon Outlet Mall at the corner of I-64 and Northampton Blvd., site of the former Lake Wright Golf Course, continues to lay groundwork with plans underway to begin construction on the project in spring 2016.

Lifestyle centers providing a "Live.Work.Play." environment continue to strongly impact the market. Older centers are being revitalized or even replaced with new, updated facades featuring inviting colors, textures and finishes, convenient, well-lit parking and good visibility.

The Marketplace at Town Center in Newport News and the expanding Virginia Beach Town Center illustrate the direction of the market and the needs of consumers. These Centers offer a variety of dining, shopping and residential options, all within steps of each other.

Developers are seeking properties at the corner of "Main and Main" to build mixed-use developments, as well as small, unanchored strip centers, in both urban and suburban markets. Retail spending continues to rise; and, retailers with clear niches, targeting the millennial customer, continue to prosper.

Millennial customers are 80 million strong in the U.S. alone. This generation commands the largest buying power, having a national influence on how and where retailers do business. By 2017 it is estimated that as consumers, Millennials will be spending \$200 billion annually and \$10 trillion over their lifetimes. When shopping, they prefer an experiential retail environment where shopping is more than a transaction and the pleasure of being in the store comes from more than purchasing goods.

Outlet centers and food-related entities will continue their popularity and growth as these trends continue to flourish.

Overall, 2015 retail vacancy rates experienced a slight decline by year-end. Rental rates were on a slow but steady uptick and a strong positive net absorption by year end.

With the general rise of consumer confidence and continued gains in employment and wages, the overall outlook for the retail market in 2016 is positive. Vacancy should continue its slight decrease, while rental rates are on track to steadily increase.

# MULTIFAMILY



## A PERFECT STORM

With transaction levels not before seen since the Great Depression, multifamily investors across the country are riding a national wave of prosperity, precipitated in part by six consecutive quarters of posted rental growth in excess of 5%. With results like this, it is no wonder that “multifamily investment fever” is spreading. Add to this widespread agreement that the growth in renter households is projected to continue amidst a “catch up” supply that has been slow to materialize, and there couldn’t be a more perfect storm for, dare we say, perhaps even history-making multifamily success in 2016.

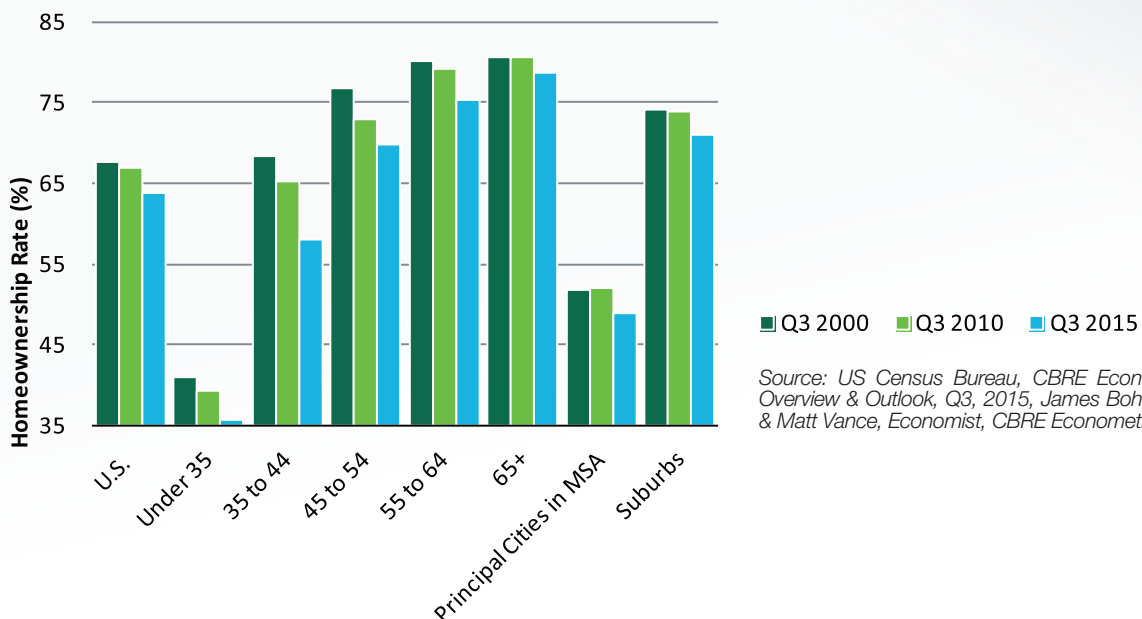
**WENDY C. DRUCKER**  
Managing Director, Drucker & Falk Real Estate

Contrary to popular belief, the ongoing propensity toward apartment living spans every age category and isn’t just among millennials. In 2015, across every age segment, home ownership declined. Admittedly, while this trend may be more attributable to home ownership obstacles including sluggish income, elevated student debt, tight credit and lack of affordable single family inventory than it is to changing preferences, it leaves plenty of room for us to enjoy the ride. Simply put, steady growth in single person households, households under age 34 and those over age 64, will keep the winds of multifamily fundamentals strong for the foreseeable future.

There are, of course, exceptions, but the Hampton Roads market isn’t one of them.

Vacancy rates in 2015 dropped to 6% and our multi-year lag behind the southeast U.S. index is about to pay dividends. Through mid-2017, Hampton Roads vacancy rates are expected to decline even further against a southeast U.S. index that is rising. With slower than average supply growth, and a Hampton Roads’ unemployment rate of just 4.5%, analysts are predicting that the strongest rent growth will come from markets just like Hampton Roads that have here-to-for lagged the national cycle in key economic indicators, and increased renter demand is prevalent amid low supply growth.

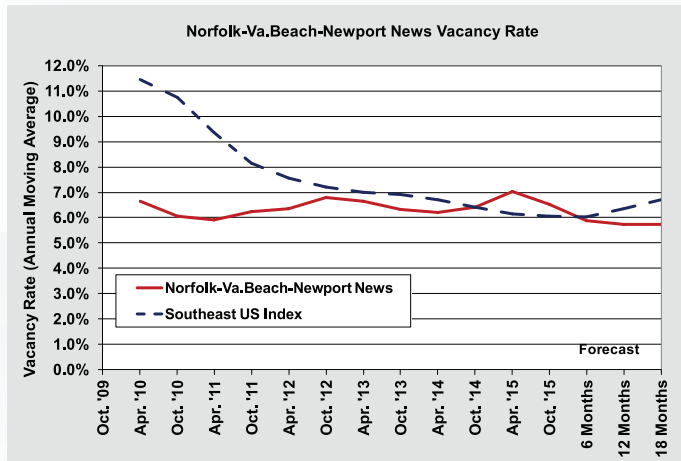
## DECLINE IN HOME OWNERSHIP



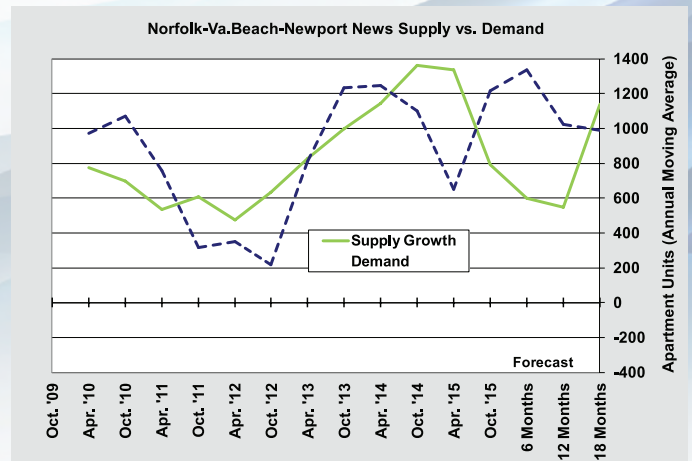
Source: US Census Bureau, CBRE Econometric Advisors Overview & Outlook, Q3, 2015, James Bohner, Economist & Matt Vance, Economist, CBRE Econometric Advisors.



## HAMPTON ROADS' VACANCY RATES



## HAMPTON ROADS' SUPPLY VS. DEMAND



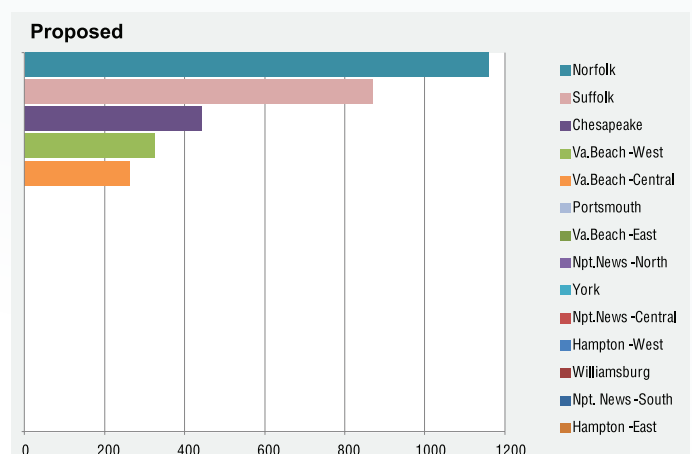
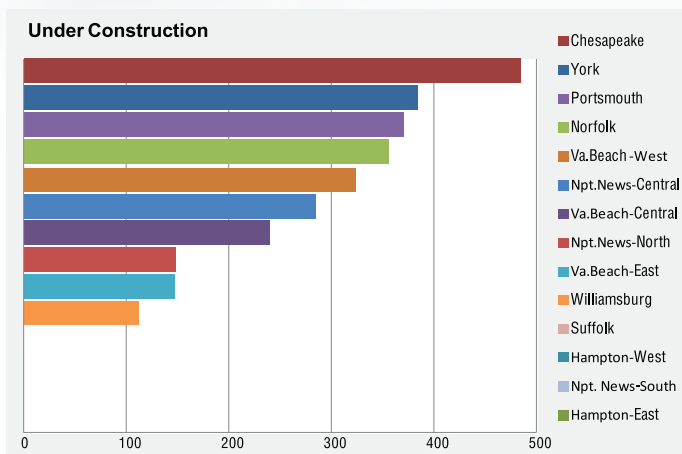
## THE GOOD NEWS DOESN'T STOP HERE

Hampton Roads' demand is expected to exceed supply well into 2017. The absorption rate in 2015 was 1,545 units, and on the strength of the imbalance in supply and demand, 2016 promises to be a record year for new development, with 3,198 units under construction and another 2,778 proposed. The bulk of the new product is concentrated in south Hampton Roads, with Peninsula development occurring only in Williamsburg, York County and in central Newport News at Tech Center. While this is more growth than we're accustomed to seeing, land constraint is one of the biggest factors in our trailing sister markets to the west and the south, where Richmond and Charlotte have a combined 21,670 new units proposed.

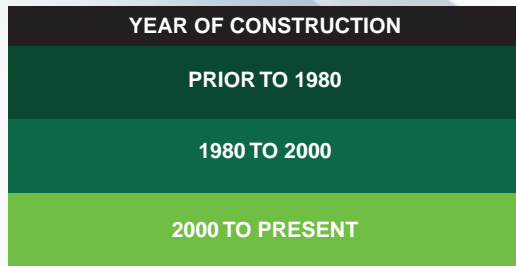
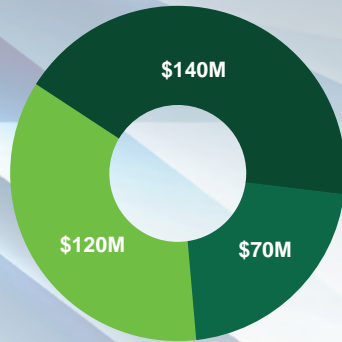
Hampton Roads has a large inventory, nearly 37%, of Class C (typically) older product, where the rents are lowest and vacancy is highest. Class B assets make up 41% of the market and A products, 22%.

Increasingly, in today's era of age diverse renters that are looking for the more modest housing alternatives in the market, they are less concerned with square feet and instead seek a convenient, amenity rich lifestyle that is affordable and functional (washer/dryers). It is on this basis that investors are turning to the property management industry at record pace, seeking our guidance in search of local and national B/C assets that with modest capital investment and strong management, can be repositioned to appeal to a growing demographic segment, yielding a five to seven year solid return on investment. This is underscored in analyzing 2015 sales by age class, where Hampton Roads' assets built prior to 1980 represent close to 50% of the more than \$330 million dollars in total multifamily transactions.

One of the largest value add Class B transactions in 2015 was Hampton Center Apartments, which sold for \$31.5 million dollars. Owners were quick to deploy a "value add" strategy, launching a multi-million dollar renovation.

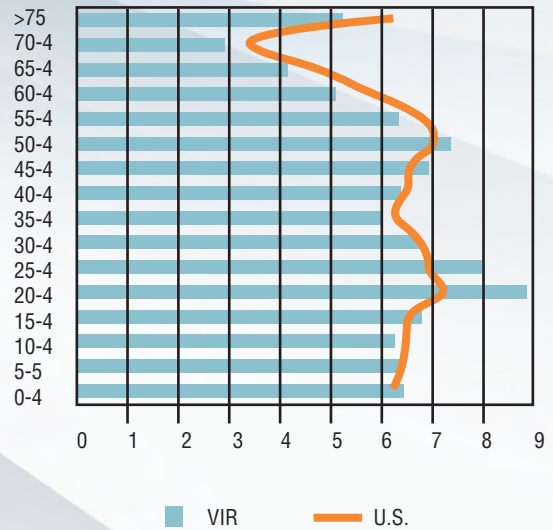


Source: Norfolk-Va Beach-Newport News, Overall Market Index, Real Data, November, 2015.



CBRE Hampton Roads, Apartment Market Information, January, 2016, Dan Johnson & Hank Hankins, Real Data, 2015

HAMPTON ROADS' POPULATION BY AGE, %



Moody's Analytics, Precis@US Metro, South, Virginia Beach-Newport News VA-NC, November, 2015

Conversely, those seeking a moderate to high end product, millennials in particular, are less enamored with square footage, and are more discriminant in their quest for high end materials selections, finishes, amenities and the latest technology that, no surprise here, they can control 24/7 from any smart device. Hampton Roads far outpaces the US national average in terms of the number of millennials between ages 20 and 30 in the market, and Class A products that don't appeal to this tech savvy demographic are in for a tough sell. Owners who do understand their preferences and build for it, are positioned to optimize their investment.

Sources:

1. Source: US Census Bureau, CBRE Econometric Advisors Overview & Outlook, Q3, 2015, James Bohner, Economist & Matt Vance, Economist, CBRE Econometric Advisors
2. Norfolk-VA Beach-Newport News, Overall Market Index, Real Data, November, 2015
3. Moody's Analytics, Precis@US Metro, South, Virginia Beach-Newport News VA-NC, November, 2015
4. CBRE Hampton Roads, Apartment Market Information, January, 2016, Dan Johnson & Hank Hankins, Real Data, 2015



# INVESTMENT

## COMMERCIAL REAL ESTATE INVESTMENT MARKET OVERVIEW



**J. SCOTT ADAMS**  
Regional President, CBRE

### TIME TO WORRY ABOUT AN INVESTMENT BUBBLE?

Sales of major commercial properties rose dramatically again in 2015 for the 6th consecutive year and returned to the volume seen in 2007 at the height of the previous cycle. Values of commercial property have doubled in that 6 year period, and the market has been fueled in large part with multi-billion dollar portfolio transactions that are often associated with frothy market conditions. With all of this good news, many of the best and brightest investors are wondering if we should be concerned that the commercial markets are on the cusp of an investment bubble. This report shall look at a number of key areas with this concern in mind.

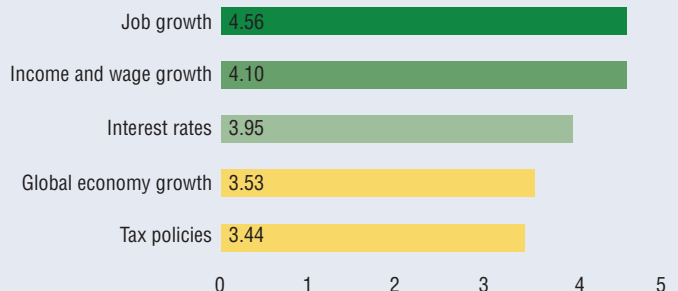
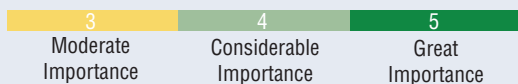
### THE INVESTMENT MARKET CONTINUES TO USE CREDIT RESPONSIBLY

The hallmark of the 2007 bubble economy was a soaring level of debt utilized in investment transactions which allowed for no room for error with equity positions once the market cycle turned downward beginning in 2008. As 2016 begins, by most accounts the quantity and quality of lending remains healthy without being at the expense of solid underwriting. While the lending community continues aggressively to pursue investment opportunities to consider financing, loan to value ratios and debt terms appear to remain sound across all property types. Fundamentally the financing market is lending at a much slower pace than during previous cycles and that includes development lending which has helped to keep the supply side of the property market in healthy balance with the demand side.

### RISING INTEREST RATES HELD IN CHECK FOR FORESEEABLE FUTURE

In a survey of investors shown here from the 2016 *Emerging Trends in Real Estate* report, investors confirmed that their top economic and financial concerns are in fact job growth, wage growth, and interest rates. With U.S. unemployment at approximately 5% and likely going lower, economists are keeping a close eye on any rise in hourly earnings as an indicator of how quickly the labor market may be tightening. While the Federal Reserve did finally pull the trigger on a hike in the short-term Federal Funds rate in December 2015, the 25 basis point increase implemented at that time is not likely to have a significant impact on commercial real estate lending. Capital markets anticipated that minimal rise and the U.S. should remain in a very low interest-rate environment with borrowing costs at or near the lowest levels in recent history. Capital markets also remain cautiously optimistic that the Fed will only initiate further modest increases after clear evidence of the economy beginning to overheat. In such case, the stronger economic expansion is typically associated with higher consumer confidence, higher net absorption, falling vacancy, and rising rents, all of which are key fundamentals which will sustain investor interest.

### Importance of Issues for Real Estate in 2016



Source: 2016 Emerging Trends in Real Estate Survey, ULI/PwC

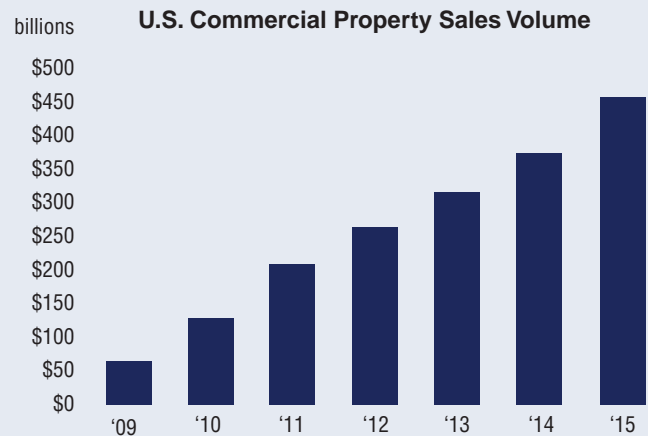
## RELATIVE PERFORMANCE OF THE UNITED STATES BUOYS THE INVESTMENT MARKET

The strength of the U.S. economy and its commercial investment market can be especially appreciated in relative comparison to other markets globally. There is still a high level of fragility in the world economy with particular softness in China, oil producing countries, Japan, and much of the Euro Zone. A recently published 2016 report by the Association of Foreign Investors in Real Estate revealed that the U.S. received 3 times the number of votes for any other country to the question: What is the most stable and secure country for real estate investment? 2/3 of the survey respondents also indicated that they plan to increase their U.S. real estate investment in 2016 with a core belief that the U.S. offers the best opportunity for capital appreciation. These survey results indicate likely further growth in the over \$91 billion in 2015 foreign investment reported at year end by Real Capital Analytics. Real Capital Analytics also reported that the U.S. accounted for approximately 50% of global transactional volume. That being said, investors are also watching closely to monitor any impact that global financial turmoil could have on global trade as well as the domestic availability of capital.

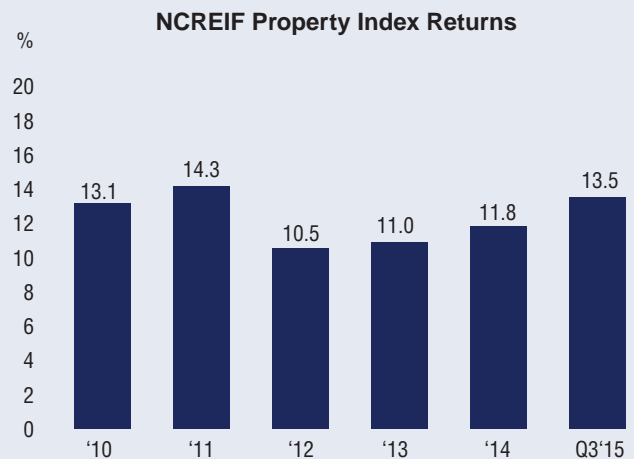
## THE RELATIVE PERFORMANCE OF REAL ESTATE RETURNS REMAINS SOLID ALSO

Even with the strong growth in pricing over the last 6 years driven by improving rental income fundamentals and decreasing capitalization rates, investors remain confident in the relative performance of investment property versus alternative investments. That being said, we now live in an era of lower returns with low bond rates and short-term instability in the equity markets. The NCREIF Property Index, a bellwether return index in the investment market, has reported double-digit returns for each year since 2009 and favorable returns are expected to continue into 2016.

With favorable property markets, healthy investment returns, and other strong market fundamentals, the short answer to the investment bubble question is “no.”



Source: Real Capital Analytics (Includes property or portfolio sales \$2.5 million or greater for office, industrial, retail and multifamily assets.)



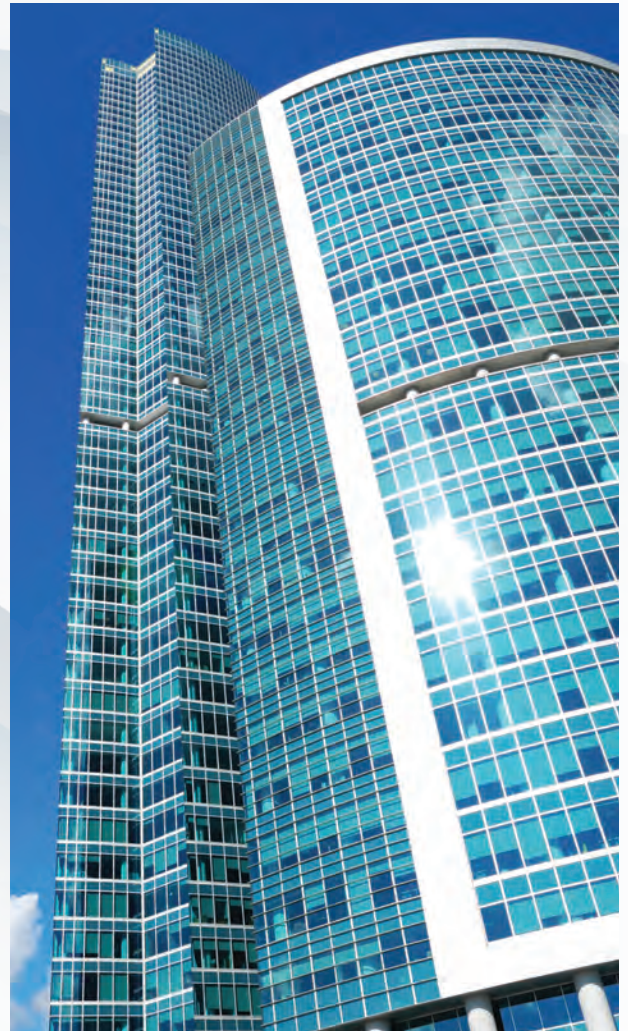
Source: CBRE Research, NCREIF; All returns are reported on an unleveraged basis.

## SPOTLIGHT ON HAMPTON ROADS

In 2015, Hampton Roads continued to strengthen its case that it belongs among the nation's well-regarded secondary markets rather than being relegated to a lower-level tertiary market. This is a critically important distinction to aspire to as the 2016 *Emerging Trends in Real Estate* report observed their #1 best bet for 2016 is to "go to key secondary markets." The report notes that such key secondary markets are emerging as great relative value propositions with lower costs of living and strong growth potential.

Key assets of the Hampton Roads region to tout in this regard include one of the most dynamic trade ports in the country, improving infrastructure, a vibrant tourism industry, and highly regarded hospitals and universities. Accelerating supply of urban apartments including in downtown Norfolk also help our region stand out as hip and attractive to the young people our area needs to attract and retain for higher-growth employers.

An analysis of 2015 commercial investments in Hampton Roads reveals major acquisitions across all product types including the Lingerfelt Commonwealth acquisition of the Liberty Property Trust office portfolio, major single tenant asset sales such as the Amerigroup and Oceaneering buildings, and owner-occupant purchases along with multiple institutional investments of major multifamily and retail properties.





No	med	Day	Darm and	Rover	Date
1	25	7.70	9.77	1.77	1.77
2	62	22.04	4.39	9.04	1.77
3	99	35.34	9.79	1.77	1.77
4	94	34.36	5.77	1.77	1.77
5	27.97	6.77	5	1.77	1.77
6	29.97	6.77	5.77	1.77	1.77
7	1.77	1.77	1.77	1.77	1.77
8	1.77	1.77	1.77	1.77	1.77
9	1.77	1.77	1.77	1.77	1.77
10	1.77	1.77	1.77	1.77	1.77



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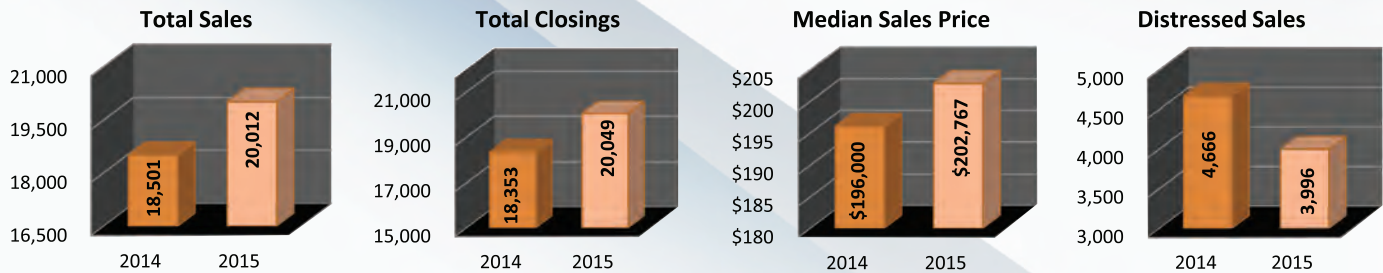
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# RESIDENTIAL

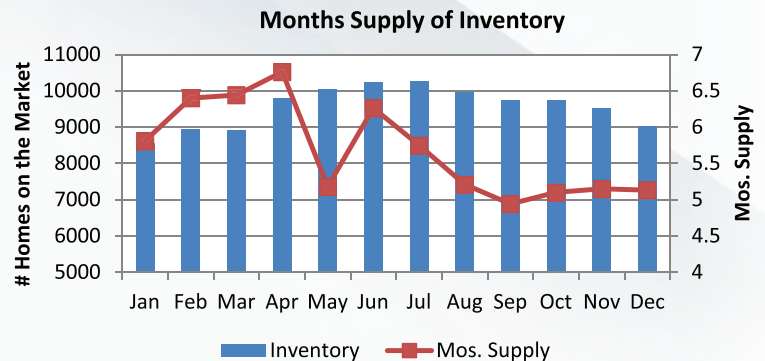


**VAN ROSE**  
President, Rose & Womble Realty Company

The residential resale market in Hampton Roads continued to improve in 2015 with sales, closings and median sales' prices increasing year-over-year. Resale sales increased by 8.17% in 2015 to 20,012 sales. There were 1,696 more resale closings in 2015 than 2014, resulting in a 9.24% increase. The median sales price rose from \$196,000 to \$202,767, a \$6,767 increase.



The number of resale homes on the market remained steady, with a negligible reduction in the average number of homes on the market in 2015. Due to 2015's robust sales activity the months required to absorb existing inventory decreased from 6.4 months to 5.7 months. This signifies a balanced market and reflects the historic average for the Hampton Roads area.



As predicted, the economy continued to improve in 2015 due in part to an increase in consumer confidence, lower gas prices and a declining local and national unemployment rate. Despite the Federal Reserve's recent interest rate hike mortgage rates remained low in 2015, the December rate for a 30 year conventional loan averaged 3.96%, according to the Federal Reserve Economic Data (FRED), edging towards its peak of 4.05% in July.

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<b>30 Yr Conv Mort Rate</b>	3.71%	3.71%	3.77%	3.67%	3.84%	3.98%	4.05%	3.91%	3.89%	3.80%	3.94%	3.96%
<b>Local Unemployment Rate (VB/Norf/NN MSA)</b>	5.50%	5.60%	5.40%	5.00%	5.50%	5.50%	5.20%	4.80%	4.60%	4.60%	4.60%	n/a
<b>National Unemployment Rate</b>	6.10%	5.80%	5.60%	5.10%	5.30%	5.50%	5.60%	5.10%	5.10%	4.80%	4.80%	4.80%



#### 2015 VERSUS 2014 RESIDENTIAL RESALE HIGHLIGHTS:

Sales up 8.17% with 1,511 more sales issued, totaling 20,012 sales.  
 Closings up 9.24% with 1,696 more closings, totaling 20,049 closings.  
 Median Sales Price up 3.45%, a \$6,767 increase to \$202,767.  
 Distressed Closings down 14.4% to 3996 representing 20.4% share.  
 Average Days on Market remained stable at 82 days.  
 Market Share of Resale Homes ended the year at 87.8%.

#### THE NEW CONSTRUCTION MARKET

Hampton Roads' residential new construction market reached its peak in permits, closings, average sales price and revenue between 2002 and 2005, followed by several years of declines. In 2012 the market began its upturn, only to lose momentum in 2014. 2015 was marked by a substantial increase in permits (up 13.5%), average sales price (up 30.2%) and revenue (up 30.0%) from 2014. Permits increased to their highest level since 2007, closings and total revenue since 2008.

Average sales price decreased marginally from 2014 by 0.1% to \$333,186. The largest YoY decrease was seen in Virginia Beach where the average sales price dropped from \$419,973 to \$387,876 due to a shift in the mix of closings where

attached closings went from 29.7% share in 2014 to 39.9% in 2015.

Inventory levels remained low in 2015 especially on the Southside where average months to absorb was 3.1 months for detached product and 1.67 months for attached product. Strong sales in 2015 helped to account for the low inventory levels. Detached new construction sales on the Southside saw an increase of 17.21%, while attached product increased 18.73%. It was a similar story on the Peninsula where detached sales increased by 16.57% and attached sales increased by 5.88% from 2014. Expect to see prices rise in 2016 as low inventory is coupled with strong sales increases.

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Permits</b>	7,359	5,035	3,393	2,911	3,100	2,809	3,297	3,469	3,243	3,679
<b>Closings</b>	4,864	4,153	3,318	2,775	2,421	2,354	2,714	2,911	2,360	3,069
<b>Avg Sales Price</b>	\$395,928	\$386,587	\$361,496	\$321,711	\$319,929	\$309,295	\$306,341	\$320,767	\$333,402	\$333,186
<b>Total Revenue (millions)</b>	\$1,926	\$1,605	\$1,199	\$893	\$775	\$728	\$831	\$934	\$787	\$1,023

#### 2015 VERSUS 2014 RESIDENTIAL NEW CONSTRUCTION HIGHLIGHTS

Permits up 13.5% with 437 more permits issued, totaling 3,679 permits.  
 Closings up 30.2% with 711 more closings, totaling 3,069 closings.  
 Average Sales Price down 0.1%, a \$319 decrease to \$333,186.  
 Total Revenue up 30.0%, an increase of \$236 million to \$1.02 billion.

## HAMPTON ROADS - BY CITY

City/County	Permits			Closings			Avg Sales Price			Revenue		
	2014	2015	% Change	2014	2015	% Change	2014	2015	% Change	2014	2015	% Change
CHES	832	1,111	33.5%	651	907	39.3%	321,605	324,737	1.0%	209,364,946	294,536,596	40.7%
I of W	108	111	2.8%	63	87	38.1%	345,009	338,777	-1.8%	21,735,558	29,473,577	35.6%
NORF	367	375	2.2%	267	331	24.0%	285,932	307,108	7.4%	76,343,932	101,652,706	33.2%
PORT	108	81	-25.0%	106	104	-1.9%	204,959	211,780	3.3%	21,725,607	22,025,086	1.4%
SUFF	323	345	6.8%	258	334	29.5%	310,781	307,549	-1.0%	80,181,476	102,721,410	28.1%
VBCH	595	678	13.9%	406	601	48.0%	419,973	387,876	-7.6%	170,509,187	233,113,259	36.7%
<b>Total Southside</b>	<b>2333</b>	<b>2701</b>	<b>15.8%</b>	<b>1751</b>	<b>2364</b>	<b>35.0%</b>	<b>331,160</b>	<b>331,439</b>	<b>0.1%</b>	<b>579,860,706</b>	<b>783,522,634</b>	<b>35.1%</b>
GLOU	143	121	-15.4%	57	58	1.8%	266,039	279,729	5.1%	15,164,220	16,224,281	7.0%
HAMP	98	134	36.7%	76	119	56.6%	265,909	272,133	2.3%	20,209,046	32,383,797	60.2%
JCC	449	449	0.0%	293	358	22.2%	382,521	374,460	-2.1%	112,078,625	134,056,744	19.6%
NNEWS	95	117	23.2%	89	81	-9.0%	300,585	310,136	3.2%	26,752,039	25,121,007	-6.1%
WMSBG	24	20	-16.7%	13	15	15.4%	319,390	304,273	-4.7%	4,152,066	4,564,098	9.9%
YORK/POQ	100	137	37.0%	79	74	-6.3%	356,813	360,472	1.0%	28,188,211	26,674,925	-5.4%
<b>Total Peninsula</b>	<b>909</b>	<b>978</b>	<b>7.6%</b>	<b>607</b>	<b>705</b>	<b>16.1%</b>	<b>340,271</b>	<b>339,042</b>	<b>-0.4%</b>	<b>206,544,207</b>	<b>239,024,852</b>	<b>15.7%</b>
<b>Hampton Roads</b>	<b>3242</b>	<b>3679</b>	<b>13.5%</b>	<b>2358</b>	<b>3069</b>	<b>30.2%</b>	<b>333,505</b>	<b>333,186</b>	<b>-0.1%</b>	<b>786,404,913</b>	<b>1,022,547,486</b>	<b>30.0%</b>

## HAMPTON ROADS 2015 TOP SUBDIVISIONS

Once again Culpepper Landing was the number 1 subdivision by closings with 84 closings, with 6 builders contributing to that total. Corinth Residential led the pack with 31 closings followed by HHHunt Homes with 30 closings. 34 of Culpepper Landing's 84 closings were attached product contributing to an overall average sales price of \$297,507. This resulted in Culpepper Landing taking the number 3 spot by revenue with just under \$25 million.

Viridian Reserve, also in Chesapeake, was the number 2 subdivision by closings with 71 closings and the number 1 subdivision by revenue. The average sales price was a healthy \$442,145 resulting in \$31.4 million in revenue. Of the 6 builders with closings in Viridian Reserve, Napolitano Homes and McQ Builders led with 19 and 15 respectively.

Colonial Heritage by Lennar Corp was the number 3 subdivision by closings and the number 2 subdivision by revenue. All of the 69 closings were for detached product resulting in \$27.8 million in revenue with an average sales price of \$402,791.

Subdivision	Closings Recorded	Average Price	Subdivision	Total Revenue
Culpepper Landing, C	84	\$297,507	1 Viridian Reserve, C	\$31,392,297
Viridian Reserve, C	71	\$442,145	2 Colonial Heritage, J	\$27,792,554
Colonial Heritage, J	69	\$402,791	3 Culpepper Landing, C	\$24,990,613
Spence Crossing, V	63	\$226,892	4 East Beach, N	\$24,936,192
Reunion, C	55	\$229,173	5 Ashville Park, V	\$22,084,247
Kings Pointe At Western Branch, C	49	\$172,442	6 Mirasol, V	\$17,235,520
East Beach, N	44	\$566,732	7 Settlement At Powhatan Creek, J	\$16,766,006
Settlement At Powhatan Creek, J	44	\$381,046	8 Spence Crossing, V	\$14,294,220
White Hall, J	44	\$284,437	9 Eagle Harbor, I	\$12,858,823
Ashville Park, V	43	\$513,587	10 Reunion, C	\$12,604,509

#### HAMPTON ROADS 2015 TOP BUILDERS

Ryan Homes was the top builder in Hampton Roads by closings and by revenue with 406 closings and \$151 million in revenue. Ryan Homes was active in 29 subdivisions in Hampton Roads. They had 246 closings on the Peninsula equating to a 34.9% market share. Their top subdivision, by number of closings was Reunion with 55 closings, \$12.6 million in revenue and an average sales price of \$229,173. With a substantially higher average sales price of \$377,271, Settlement at Powhatan Creek was Ryan Homes' top subdivision by revenue with \$14.7 million from 39 closings.

Dragas Companies was the number 2 builder by closings and number 5 by revenue with 152 closings and \$31.6 million in revenue. All 152 closings were for attached product with an average sales price of \$208,071. Dragas Companies was active in 3 subdivisions during 2015—Spence Crossing, Kings Pointe at Western Branch and Hadley Park at Greenbrier.

HHHunt Homes was the number 3 builder by closings and the number 2 builder by revenue with 146 closings and \$46.4 million in total revenue. Their higher average sales price of \$317,723, resulting from 86.9% of their closings being detached product, allowed them to move up a spot on top builder by revenue. HHHunt Homes was active in 12 subdivisions with White Hall and Culpepper Landing being their most successful, with 33 closing and \$9.95 million in revenue and 30 closings and \$10.5 million in revenue respectively.

Builder	Closings Recorded	Average Price	Builder	Total Revenue
Ryan Homes	406	\$371,521	1 Ryan Homes	\$150,837,429
Dragas Companies	152	\$208,071	2 HHHunt Homes	\$46,387,552
HHHunt Homes	146	\$317,723	3 Chesapeake Homes	\$36,397,625
Chesapeake Homes	140	\$259,983	4 Napolitano Homes	\$33,320,520
Corinth Res	115	\$264,432	5 Dragas Companies	\$31,626,808
Napolitano Homes	92	\$362,180	6 Corinth Res	\$30,409,635
Platinum Homes	83	\$286,069	7 Lennar Corp	\$27,792,554
Terry Peterson Res	76	\$290,229	8 Platinum Homes	\$23,743,734
Equity Dev Corp	73	\$278,997	9 Stephen Alexander Homes	\$22,156,628
Lennar Corp	69	\$402,791	10 Terry Peterson Res	\$22,057,424

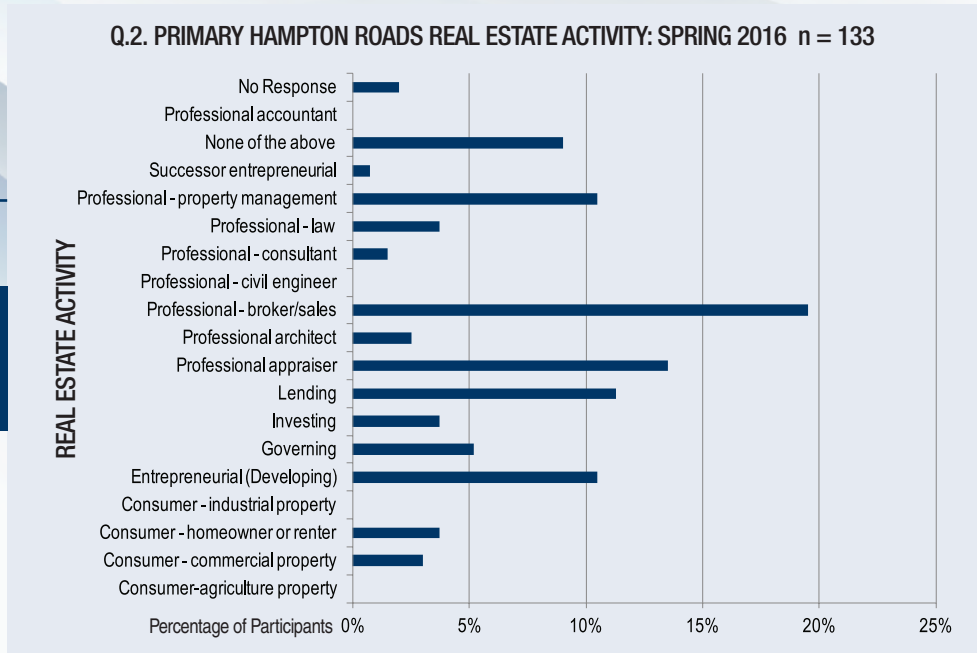
# REAL ESTATE MARKET SENTIMENT



**J. ANDREW HANSZ**  
Robert M. Stanton Chair  
in Real Estate

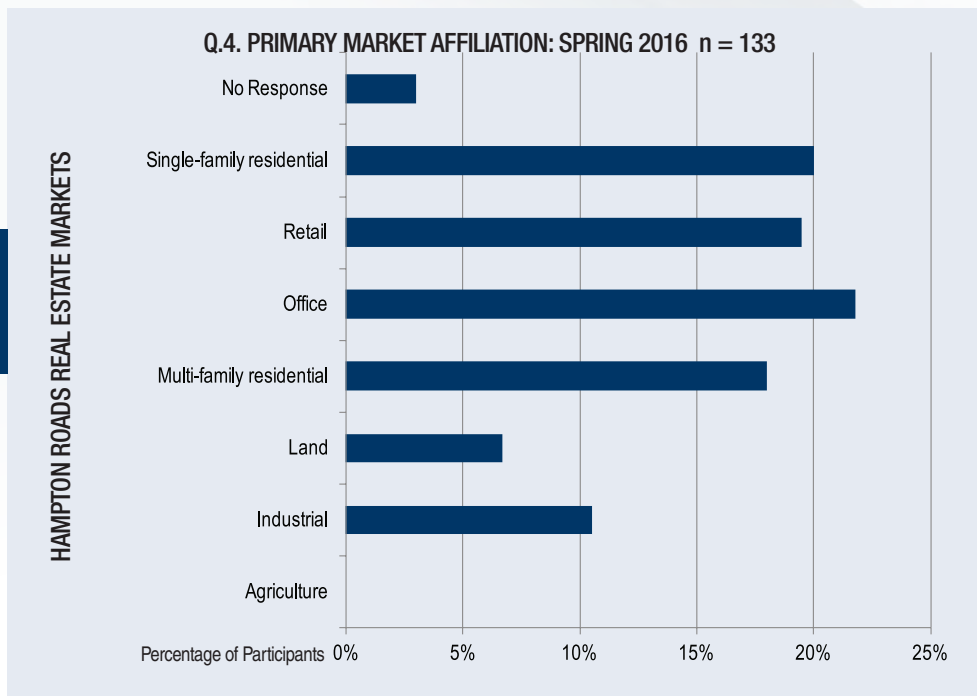
E.V. Williams Center for Real Estate created the Hampton Roads Real Estate Markets Sentiment Survey. Conducted twice annually via email, this survey intends to gather a greater understanding of the Hampton Roads real estate community's attitude towards the current and the future real estate markets. The spring 2016 Sentiment Survey, collected January 2016, had 133 respondents. Survey questions 2 and 4 collected information on respondents and their Hampton Roads real estate market activities.

**Q.2.**  
Please identify your primary Hampton Roads real estate activity (select one).



Source: E.V. Williams Center for Real Estate.

**Q.4.**  
Please identify your primary real estate market affiliation (select one).



Source: E.V. Williams Center for Real Estate.

Questions 5 and 6 show high levels of sentiment (above 'neutral' and slightly above 'mild positive') for all Hampton Roads real estate market segments. However, respondents show the most positivity for the multi-family residential real estate market segment. Six month projections show increases in sentiment levels for all but the multi-family sector.

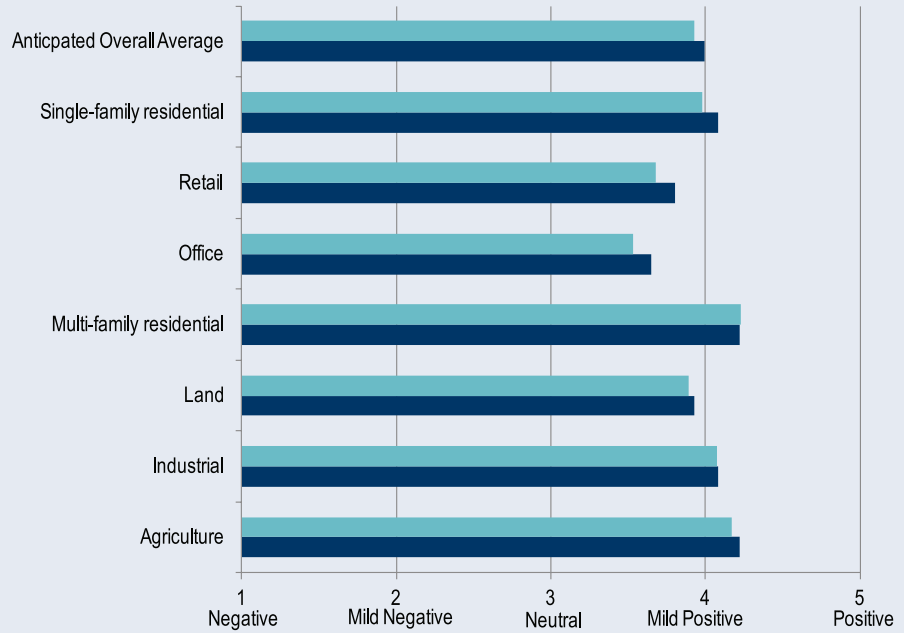
Responses indicate that the Hampton Roads multi-family residential sector offers the best investment potential over the next six months.

### Q.5 AND 6.

Please rate current and anticipated 6 month sentiment levels for the following Hampton Roads real estate market segments.

■ Avg. Current Sentiment  
■ Avg. 6 mo. Sentiment Projection

Q.5 AND 6. AVERAGE SENTIMENT - PRESENT AND 6 MONTH PROJECTION: SPRING 2016 n =133

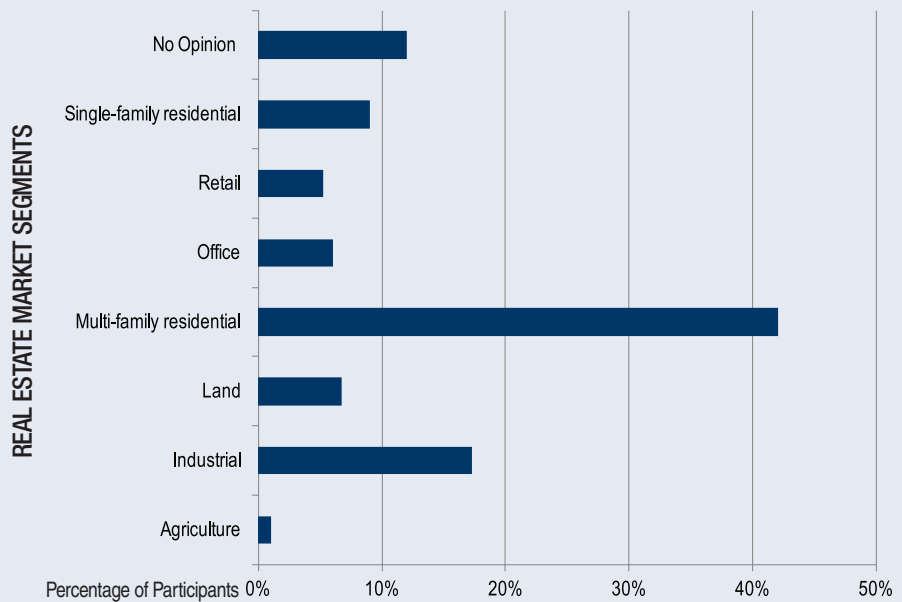


Source: E.V. Williams Center for Real Estate.

### Q.7.

Over the next 6 months, which Hampton Roads real estate property sector has the best investment potential (select one).

Q.7. BEST HAMPTON ROADS INVESTMENT POTENTIAL - NEXT 6 MONTHS: SPRING 2016 n =133



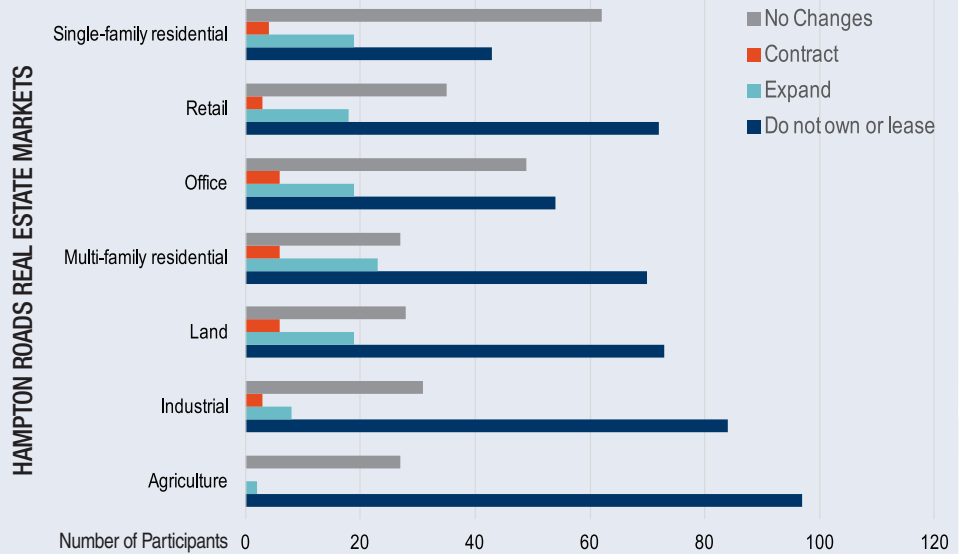
Source: E.V. Williams Center for Real Estate.

### Q.8.

We would like to understand your anticipated real estate usage over the next 6 months. Please indicate if you plan to expand or contract your use or ownership space (please answer each row).

More positive news is reflected in responses to Question 8, as more people intend to expand their real estate space usage over the next six months. The planned growth of space usage will be seen across all Hampton Roads real estate market segments.

### Q.8. BEST HAMPTON ROADS INVESTMENT POTENTIAL - NEXT 6 MONTHS: SPRING 2016 n =133



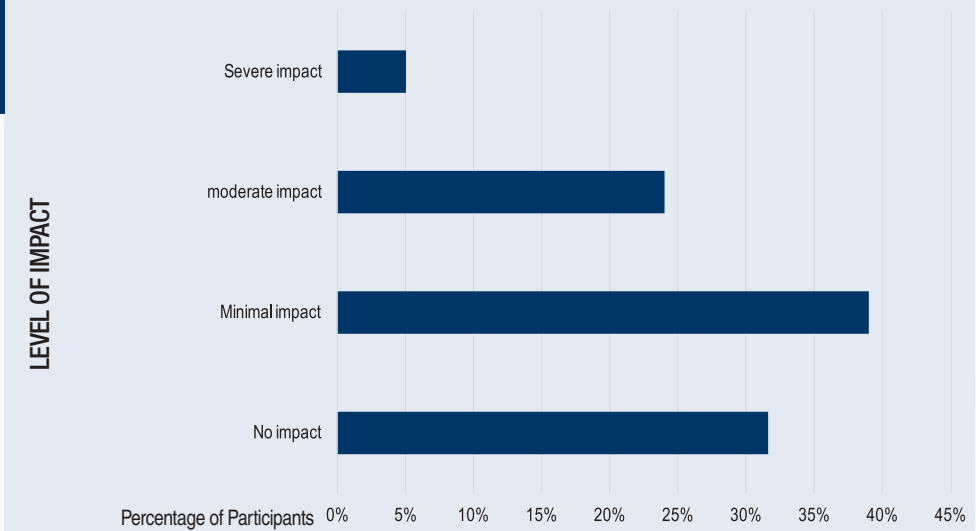
Source: E.V. Williams Center for Real Estate.

### Q.10.

Please choose the statement below which best reflects the impact of sea-level rise and your Hampton Roads real estate interests (select one).

Although Hampton Roads' communities have begun planning for the impending effects of sea-level rise, survey responses indicate that sea-level rise currently has generally 'moderate' to 'no influence' on Hampton Roads real estate interests.

### Q.10. IMPACT OF SEA-LEVEL RISE ON PERSONAL HAMPTON ROADS REAL ESTATE INTERESTS: SPRING 2016

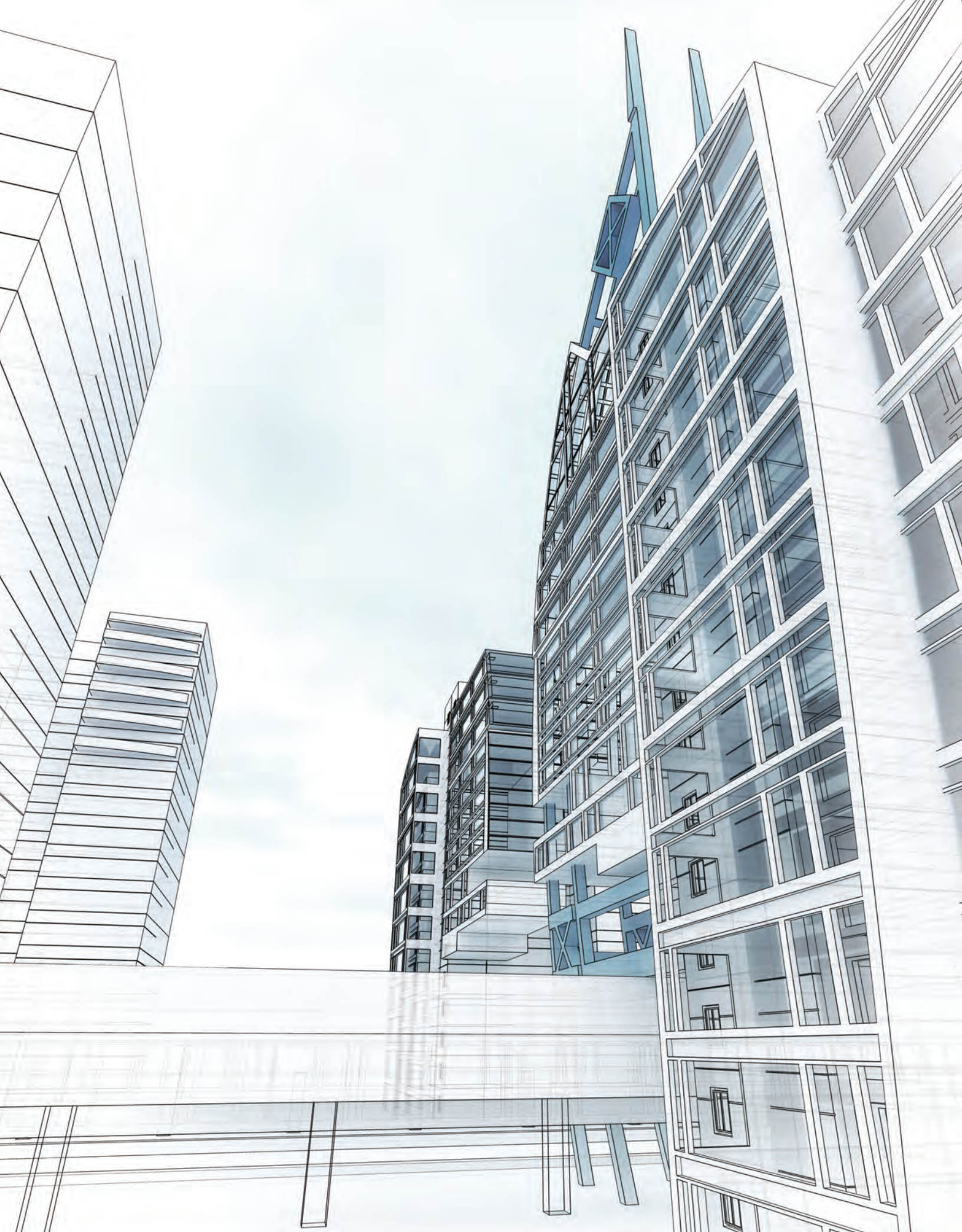


Source: E.V. Williams Center for Real Estate.

Special thanks to, Valbridge Property Advisors for sponsoring the Hampton Roads Real Estate Markets Sentiment Survey.



If you would like to participate in this survey, please contact E.V. Williams Center for Real Estate Director, Dr. Hansz at [jhansz@odu.edu](mailto:jhansz@odu.edu).





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