



Errata:

Page 82: Commercial Versus Residential Heading: 6th line should read: “The commercial real estate industry has....”

Page 85: Chart title should read as “US COMMERCIAL PROPERTY SALES”.

Page 86: Chart at the top: the purple line (above and to the right of Next 5 Years) should light blue.

Page 89: MultiFamily Properties Chart at bottom: Should read “MULTIFAMILY MARKET”.

Page 90: 2007 Apartment Sales Chart: 3rd and 4th columns should say Units and \$/Unit, respectively.



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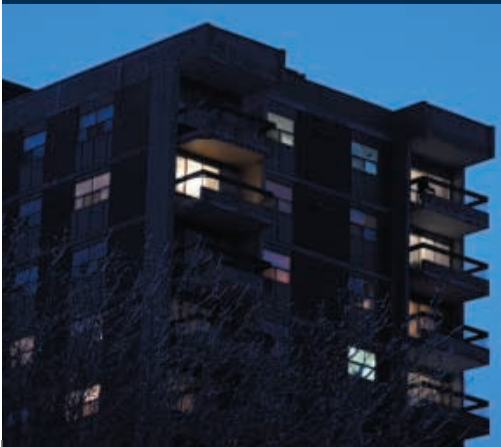
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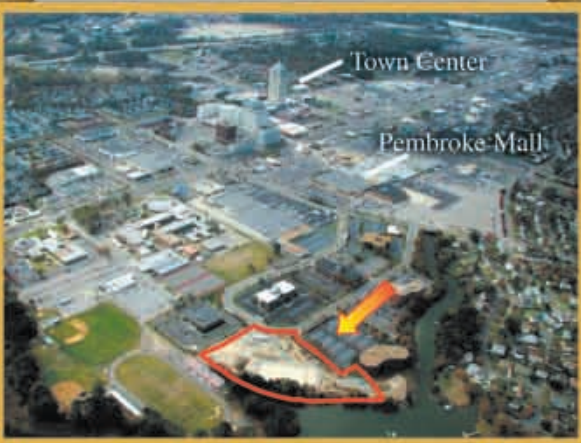
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MESSAGE FROM THE DIRECTOR

Welcome and thank you for joining us for the 2009 Old Dominion University E. V. Williams Center for Real Estate and Economic Development (CREED) Real Estate Market Review and Forecast. This is our 13th annual market report and review and we sincerely appreciate your continued support.

Hampton Roads is officially designated the Virginia Beach – Norfolk – Newport News VA-NC MSA by the Office of Management and Budget. It encompasses 2,628 square miles, has a population of more than 1.6 million and a workforce of nearly 800,000. Hampton Roads is the fourth largest MSA in the southeast US, comprised of 16 cities and counties in Southeastern Virginia and Northeastern North Carolina, and is the largest consumer market between Washington DC and Atlanta.

According to the Old Dominion University Economic Forecasting Project, our region's economy will face a number of challenges in 2008. However, while our economic growth is expected to be lower than that of 2007, the region's economic growth will be on par with that of the Commonwealth and is even expected to exceed national economic growth. As the enclosed market reviews suggest, the housing market correction felt by many at the national level, may not be as dramatic for the region's real estate. The bottom line is that our economy continues to expand, which is good news for jobs and good news for the real estate industry.

Tom Dillon of Resource Bank has replaced Joyce Hartman as Chair of the Executive Advisory Board Committee. Joyce Hartman has done a wonderful job galvanizing the many committees of the board and successfully raised the leadership bar of the Advisory Board even higher. Fred Facka, a very involved ODU alumnus, has replaced Cliff Moore on our Sponsorship Committee. If you are interested in becoming a member, please contact our Membership Chair, Craig Cope of Liberty Property Trust. CREED membership is one of the most cost effective networking organizations you can ever support.

CREED's web site has received over 33,600 page views. As a reminder, please visit by clicking on www.odu.edu/creed for the latest information on our region, as well as CREED's activities, members and research. We have a student services section where you can find students who are interested in internships and job opportunities as well as links to other informative web sites.

There are many people to thank for their contributions to this report and the annual market review. Our research chair, Brian Dundon and his capable committee deserve many thanks for providing all the quality control of our publication. Stephanie Sanker orchestrates the presentation and reception. Of course, a special thank you to all the volunteers within the real estate and economic development community for providing their expertise and sharing their data. None of this is possible without your commitment.

In closing, please note that every effort is made to provide the most accurate information in these reports. If you find an error or have a suggestion on how to improve upon these reports, please contact me with comments.

Your continued support is truly appreciated.

John R. Lombard, Ph.D.

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2008 HAMPTON ROADS REAL ESTATE MARKET REVIEW

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Disclosure

The data used for this report was provided by agents and owners of the surveyed properties. The data is deemed reliable; however, neither Old Dominion University, the E. V. Williams Center for Real Estate for Real Estate and Economic Development, nor Thalhimer/Cushman & Wakefield makes any representation or warranty as to its accuracy.



General Overview

This report analyzes the 2007 retail real estate conditions within the Virginia Beach– Norfolk–Newport News, Virginia Metropolitan Statistical Area (the “MSA”), which is commonly known as Hampton Roads. It provides supply, vacancy, construction, absorption and rent data for the MSA to provide a comparison of the data for Southside and Peninsula areas of Hampton Roads for specific submarkets and product types. The survey includes properties from the Southside of Hampton Roads located in the cities of Chesapeake, Norfolk, Portsmouth, Smithfield, Suffolk and Virginia Beach. Properties are also included from the Peninsula of Hampton Roads in Gloucester, Hampton, Newport News, Poquoson, Williamsburg and York County.

This survey is believed to be the most comprehensive analysis of retail real estate trends in the MSA. The report includes information on all retail product types including regional malls, free-standing buildings and strip centers of various classifications. The scope of the report also includes a summary of new retail construction, an analysis of absorption, and a review of retail investment sales that have occurred in the region.



METHODOLOGY

This survey gathered information about strip shopping centers and regional malls located in the MSA that were generally 30,000 square feet in size or larger. Additionally, information on retail-oriented freestanding buildings at least 23,000 square feet and freestanding buildings that contained furniture stores, discounters, grocery stores or category killer retailers that met the established size criteria were included in the survey. Automotive uses and buildings containing “downtown storefronts” were not included. Although available retail space in many submarkets (e.g., Ghent) is best described as a collection of small specialty shops, storefronts or freestanding buildings, practical limitations dictated that the focus of the survey be on larger product types.

The survey data was collected between October 2007 and January 2008. Questionnaires were mailed to owners, leasing agents and property managers responsible for retail properties meeting the selection criteria. Direct contact was utilized as a follow-up to the mailing to encourage participation. Information on square footage for freestanding buildings was obtained from building owners, tax records, store managers and retail real estate representatives. Sales information was obtained from property owners, real estate agents, appraisers, and real estate assessors.

DEFINITIONS OF TERMS

Asking Rates: The market rate per square foot of a retail property (excluding freestanding buildings and malls), exclusive of additional rents that may be paid under a triple net lease. Interpretation of average retail rates in different product types and submarkets should be viewed cautiously given the tremendous variability in rates for like products and for properties located within the same submarket. Factors such as visibility, co-tenancy and accessibility are some of the many sources of variation in market rates which should be considered.

Big Boxes: Contiguous retail space that is at least 23,000 square feet and located in any one of the identified product types. Retailers occupying big boxes include, but are not limited to, the following: category killers, specialty stores, discounters, furniture stores, grocery stores and theaters. Bowling alleys, automotive uses, roller rinks and ice-skating rinks were not included.

CAM: Common Area Maintenance

Product Types: Properties were classified according to one of the following nine retail product types. The International Council of Shopping Centers defined the first six categories. Three additional categories were included to accurately categorize the remaining properties.

Neighborhood Center	30,000 to 150,000 square feet; supermarket anchored
Community Center	100,000 to 350,000 square feet; discount department store, supermarket or drug store anchored
Fashion/Specialty Center	80,000 to 250,000 square feet; fashion anchored
Power Center	250,000 to 600,000 square feet; category killer, home improvement and discount department store anchored
Theme Festival Center	80,000 to 250,000 square feet; restaurants, entertainment anchored
Outlet Center	50,000 to 400,000 square feet; manufacturer's outlet store anchored
Freestanding	Individual building not considered a shopping center
Mall	Shopping center with area designed for pedestrian use only
Other	Any center that does not fit into a typical category

Regional Mall Node: Submarket anchored by regional mall.

Small Shop: In-line retail space usually less than 10,000 square feet located in a multi-tenanted shopping center.

Submarkets: Hampton Roads was divided into thirty-six retail submarkets (twenty-six Southside submarkets and ten Peninsula submarkets) which reflected general concentrations, pockets or corridors of retail product type. Geographical boundaries of the retail submarkets were influenced by density of existing retail product, physical or geographical obstacles, existing transportation networks, municipal boundaries, population concentrations and retailers' perceptions of the MSA. Final determination of specific boundaries of each submarket was made by a subcommittee of the Real Estate Board comprised of retail real estate professionals who are actively involved in the MSA. Also highlighted were specific submarkets that are anchored by regional malls. A map which identifies the general location of each submarket is included in the centerfold of this report.

Triple Net Lease: Type of lease under which a tenant pays its pro-rata share of real estate taxes, insurance and common area maintenance.



2008 RETAIL

YEAR IN REVIEW

During 2006, vacancy rates hit the lowest levels since the inception of the CREED market survey while small shop rental rates reached the highest levels in the market. In 2007, the Hampton Roads retail market reached another milestone: for the first time in CREED history the retail market surpassed 50 million square feet of product all the while witnessing strong growth, a slight increase in the vacancy rates and increase in the average rental rate. New and existing retailers searched for locations within established markets and followed the residential growth pattern creating hotbeds of activity in submarkets such as Northern Suffolk, Williamsburg and Southern Chesapeake.

Several large retail development projects opened in 2007, including Landstown Commons in Virginia Beach, The Marquis in Williamsburg, Bennett's Creek in Suffolk, and Cahoon Commons in Chesapeake.

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Mixed use projects consisting of retail, office and residential continue to attract Tenants. The Virginia Beach Town Center saw the Westin Hotel and the Sandler Center for the Performing Arts open in late 2007 as well as retailers Johnston & Murphy and McCormick and Schmick. The City Center at Oyster Point in Newport News added Banana Republic; The Towne Place in Greenbrier opened with Chicos and Jos A. Banks; Settlers Market in Williamsburg began clearing the site and thus far is anchored by Trader Joes, Books A Million, Michaels and Home Goods. All that remains of Coliseum Mall is Macy's. The site has been scrapped and a new J C Penny's has been built and will be joined by Target and other retailers. These new retailers and the new residential units will reemerge as The Peninsula Towne Center.

Grocery Stores continued to expand in Hampton Roads. Farm Fresh opened a new gourmet concept in downtown Norfolk called the Marketplace at Harbor Heights, as well as a traditional store at Bennett's Creek in Suffolk. Food Lion converted 8 stores to its higher end Bloom concept and 10 stores to the value focused Bottom Dollar and continue to look for opportunities to grow all three banners. In Portsmouth, Food Lion relocated from Triangle Shopping Center to a larger unit at Williams Court and is in the process of doing the same with Airline Center. Wal-Mart has entered Hampton Roads with its Neighborhood Market concept and is under construction with its first store in Norfolk. Harris Teeter anchored the new Indian Lakes Crossing and will also anchor the planned developments of Brennaman Farms in Virginia Beach and Harbourview Marketplace in Suffolk. Trader Joes has signed a lease at Settlers Market in Williamsburg and Farm Fresh is opening the Marketplace concept on High Street in Williamsburg. Additional higher end grocers continue to explore the Hampton Roads market for opportunities.

The Big Boxes continued expansion in Hampton Roads. Target led the way at Red Mill Walk in Virginia Beach. Lowes purchased the former Giant Square shopping center and will blade the site for a new freestanding unit. Kohl's opened in Landstown Commons in Virginia Beach and is under construction in Harborview East in Suffolk. Best Buy also



opened at Landstown and signed a lease at Marquis in Williamsburg. J C Penny opened at the Peninsula Towne Center, Circuit City rolled out a new prototype at Janaf in Norfolk with their former location being back filled by Petco. Bed, Bath and Beyond opened at Landstown and is under construction at Harborview East. Gold's Gym opened in the Ghent section of Norfolk and Barnes and Noble opened a multi-level location within MacArthur Center.

HAMPTON ROADS MARKET SURVEY

The Hampton Roads retail market contained approximately 50,219,239 square feet of gross leasable area ("GLA") in 396 properties. The US Census Bureau indicates the population of Hampton Roads is approximately 1.7 Million resulting in a 29.5 square feet of retail supply per person. Certain methodological differences (e.g., the inclusion of freestanding buildings and malls in this survey) make it difficult to compare per capita supply in the MSA to a national average statistic.

Hampton Roads consists of two markets, the Southside and Peninsula. The Southside market has approximately 33,086,160 square feet, roughly 66% of the total square footage in the market, in 263 properties. The average asking rent for small shop space increased by \$.58 over 2006 to \$16.68 triple net. In 2007, there was an increase in the vacancy rate by .91% to 6.70% as new construction added 1,038,291 square feet to the Southside market.

The Peninsula also experienced some exciting changes this past year. The 133 properties on the Peninsula that were surveyed combined for 17,133,079 square feet of product. The average asking price of small shop space increased \$.24 to \$15.41 per square foot triple net. The vacancy rate also slightly increased by .68% to 9.44 % with 1,009,000 square feet of new construction added to the Peninsula market.

Overall both markets performed well. The average rental rate for small shop space in Hampton Roads has increased to \$16.05 triple net. While the market saw an increase in the overall vacancy rate, some of that can be attributed to the new projects that came on line in the 4th quarter rather than excessive turnover of small shop tenants as anchor tenants continue to look for opportunities in the market.



2008 RETAIL

MARKET OVERVIEW

	NUMBER OF PROPERTIES	GLA IN SF	VACANT SF	% VACANT	NEW CONSTRUCTION IN SF	OCCUPIED IN SF	ABSORPTION IN SF
2008							
Southside	263	33,086,160	2,215,479	6.70%	1,038,291	30,870,681	339,596
Peninsula	133	17,133,079	1,617,705	9.44%	1,009,000	15,515,374	100,485
Total	396	50,219,239	3,833,184	7.63%	2,047,291	46,386,055	440,081
2007							
Southside	259	32,407,761	1,876,676	5.79%	1,552,392	30,531,085	1,741,962
Peninsula	131	16,895,155	1,480,266	8.76%	1,042,451	15,414,889	576,788
Total	390	49,302,916	3,356,942	6.81%	2,594,843	45,945,974	2,318,750
2006							
Southside	246	30,852,210	2,063,087	6.69%	593,520	28,789,123	1,280,869
Peninsula	129	16,337,458	1,499,357	9.18%	618,179	14,838,101	687,097
Total	375	47,189,668	3,562,444	7.55%	1,211,699	43,627,224	1,967,966
2005							
Southside	243	30,184,395	2,676,141	8.87%	271,610	27,508,254	341,736
Peninsula	125	15,799,778	1,648,774	10.44%	185,000	14,151,004	496,338
Total	368	45,984,173	4,324,915	9.41%	456,610	41,659,258	838,074
2004							
Southside	243	30,336,266	3,169,748	10.45%	419,458	27,166,518	419,138
Peninsula	127	16,094,161	2,027,477	12.60%	330,000	14,066,684	412,018
Total	370	46,430,427	5,197,225	11.19%	749,458	41,233,202	831,156
2003							
Southside	245	30,180,691	3,433,311	11.38%	574,400	26,747,380	535,167
Peninsula	126	15,546,085	1,891,419	12.17%	676,000	13,654,666	932,008
Total	371	45,726,776	5,324,730	11.64%	1,250,400	40,402,046	1,467,175
2002							
Southside	239	29,760,443	3,548,230	11.92%	828,800	26,212,213	1,185,818
Peninsula	123	14,906,530	2,183,872	14.65%	202,750	12,722,658	242,563
Total	362	44,666,973	5,732,102	12.83%	1,031,550	38,934,871	1,428,381
2001							
Southside	230	29,436,515	3,760,087	12.77%	918,100	25,676,428	(158,181)
Peninsula	121	14,477,970	1,997,875	13.80%	212,229	12,480,095	147,115
Total	351	43,914,485	5,757,962	13.11%	1,130,329	38,156,523	(11,066)
2000							
Southside	220	28,816,383	2,933,294	10.18%	2,064,727	25,883,089	1,344,209
Peninsula	118	15,249,617	2,012,637	13.20%	758,370	13,236,980	292,785
Total	338	44,066,000	4,945,931	11.22%	2,823,097	39,120,069	1,636,994
1999							
Southside	208	27,089,939	2,551,059	9.42%	1,414,805	24,538,880	1,961,927
Peninsula	112	14,548,482	1,604,287	11.03%	1,253,342	12,944,195	1,592,805
Total	320	41,638,421	4,155,346	9.98%	2,668,147	37,483,075	3,554,732
1998							
Southside	195	25,463,588	2,886,635	11.34%	No Data	22,576,953	No Data
Peninsula	102	12,952,845	1,601,455	12.36%	No Data	11,351,390	No Data
Total	297	38,416,433	4,488,090	11.68%	No Data	33,928,343	No Data

RETAIL SUBMARKETS

SOUTHSIDE SUBMARKETS

There were 26 retail submarkets on the Southside this year. The average size of the submarkets was 1,272,544 square feet. The largest Southside markets were Greenbrier and Military Highway with combined square footage of 7,462,699 square feet. The Southside has six regional mall nodes totaling 15,424,221 square feet.

The range of vacancy rates in the Southside submarkets can be seen in the table below. New construction on the Southside totaled 1,038,291 square feet.

SOUTHSIDE BY SUBMARKET

	NUMBER OF PROPERTIES	GLA IN SF	VACANT SF	% VACANT	AVERAGE SMALL SHOP RATE PSF
Bay Front	4	213,821	15,404	7.20%	\$18.33
Birdneck/Oceanfront	4	191,655	886	0.46%	\$11.50
Campostella	6	332,904	78,400	23.55%	\$13.56
Chesapeake Square	9	2,137,552	103,178	4.83%	\$15.67
Churchland-Portsmouth/Harborview	14	1,034,680	86,996	8.41%	\$13.92
Dam Neck	8	1,367,212	263,460	19.27%	\$21.63
Downtown	3	1,281,338	35,375	2.76%	\$13.75
Ghent	9	406,857	79,609	19.57%	\$16.79
Great Bridge	18	1,355,948	94,811	6.99%	\$17.69
Greenbrier/Battlefield Boulevard	23	4,140,568	122,398	2.96%	\$20.00
Hilltop/Great Neck	12	1,534,848	9,544	0.62%	\$21.36
Holland/Green Run	9	1,027,904	28,758	2.80%	\$14.69
Indian River/College Park (Including Chesapeake)	4	482,309	50,425	10.45%	\$13.25
Kempsville	11	1,183,576	33,757	2.85%	\$16.80
Little Creek Road /Wards Corner/Ocean View	18	1,903,974	225,268	11.83%	\$14.27
Little Neck	10	1,375,957	134,500	9.78%	\$17.57
Lynnhaven Road	1	12,692	2362	18.61%	\$12.00
Lynnhaven Road (Virginia Beach Boulevard To Holland Road)	7	1,807,532	153,460	8.49%	\$21.50
Middle Portsmouth	14	1,549,231	67,634	4.37%	\$14.14
Military Highway/Janaf	16	3,322,131	102,324	3.08%	\$14.49
Newtown	9	480,420	79,624	16.57%	\$13.00
ODU	1	36,500	1,255	3.44%	\$22.00
Pembroke	24	2,735,100	256,755	9.39%	\$16.92
Princess Anne Road (From Kempsville Road To Holland Road)	13	1,876,539	117,381	6.26%	\$18.41
Smithfield	4	256,764	6,550	2.55%	\$15.67
Suffolk	12	1,038,148	65,365	6.30%	\$17.56
Total	263	33,086,160	2,215,479	6.70%	\$16.68



2008 RETAIL

PENINSULA SUBMARKETS

There were 10 retail submarkets on Peninsula with an average size of 1,713,307 square feet. The two largest Peninsula submarkets are now Patrick Henry and Williamsburg. While the Patrick Henry submarket is anchored by a regional mall, Williamsburg has no regional mall and we are seeing a variety of mixed use projects in this submarket.

The Peninsula welcomed 1,009,000 square feet of new construction in 2007. Vacancy rates fluctuated in the various submarkets while overall average rental rates rose on the Peninsula.

PENINSULA BY SUBMARKET					
	NUMBER OF PROPERTIES	GLA IN SF	VACANT SF	% VACANT	AVERAGE SMALL SHOP RATE PSF
Coliseum Central	14	2,510,870	195,854	7.80%	\$16.75
Denbigh	14	1,458,959	279,889	19.18%	\$13.83
Foxhill/Buckroe/East Mercury	7	717,555	43,093	6.01%	\$13.80
Gloucester	9	1,069,924	253,921	23.73%	\$13.50
Hampton Misc	2	118,972	19,470	16.37%	\$10.75
Newmarket/Main	13	1,408,292	215,287	15.29%	\$10.37
Patrick Henry/Oyster Point/Kiln Creek	32	4,464,102	143,805	3.22%	\$17.81
Poquoson	2	108,521	12,150	11.20%	\$15.00
Williamsburg	30	4,386,657	405,004	9.23%	\$19.18
York County	10	889,227	49,232	5.54%	\$13.28
Total	133	17,133,079	1,617,705	9.44%	\$15.41

RETAIL PRODUCT TYPE

SOUTHSIDE SUBMARKETS

The Neighborhood Center remains the predominant product type with 148 properties with over 11 million square feet of GLA. The Community centers comprised over 10 million square feet with both product types showing increases in the average rental rate. The highest rents in non-mall properties were achieved in the Fashion / Specialty centers which also had the highest CAM Charges.

TOTAL RETAIL PRODUCT BY TYPE

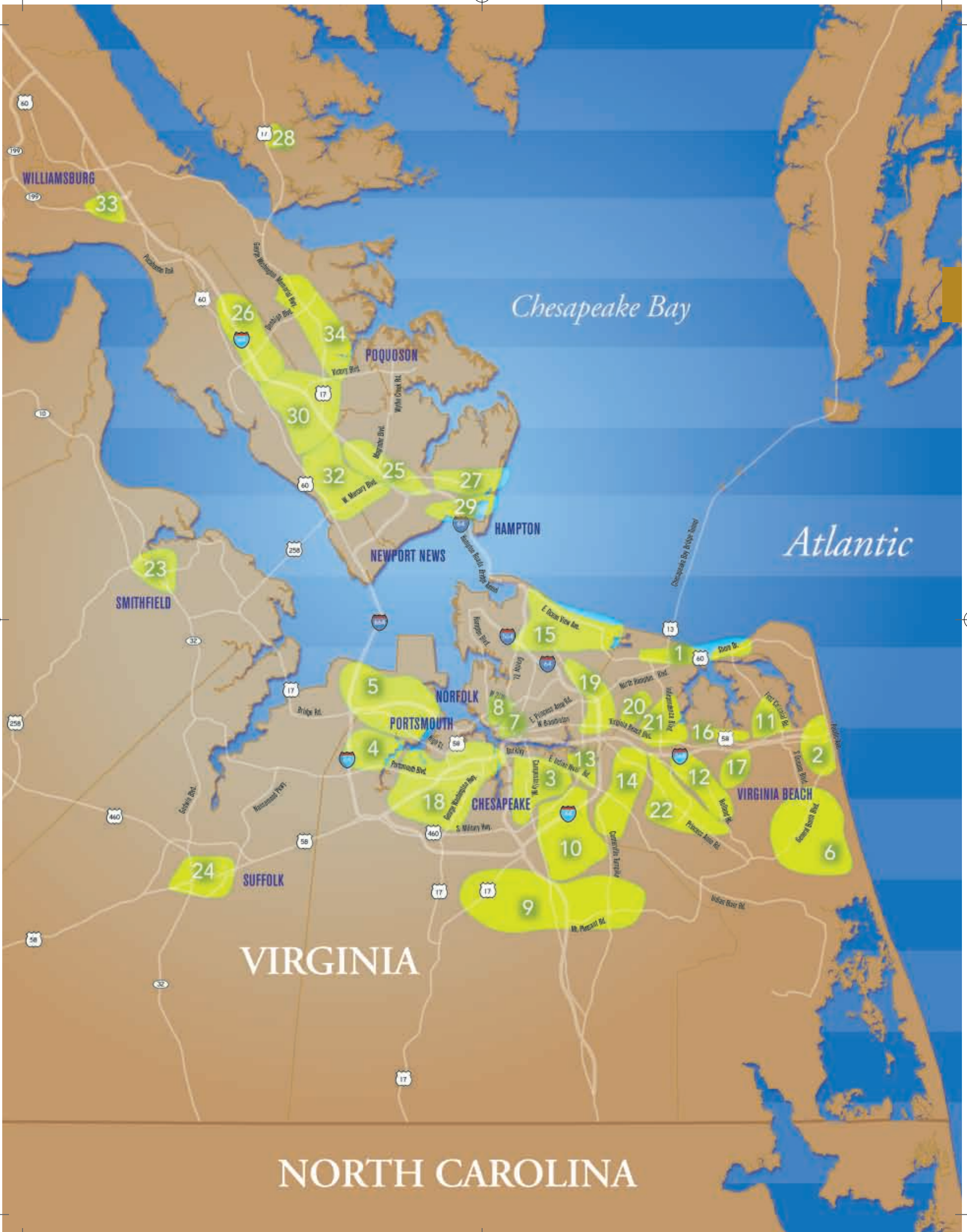
	NUMBER OF PROPERTIES	GLA IN SF	NEW CONSTRUCTION IN SF	VACANT SF	% VACANT	AVERAGE SMALL SHOP RATE PSF	AVERAGE CAM PSF
Neighborhood Center	148	11,337,741	102,280	949,339	8.37%	\$15.25	\$2.32
Community Center	56	10,077,659	240,000	1,255,415	12.46%	\$16.41	\$2.26
Fashion/Specialty Center	10	1,351,972	123,318	79,724	5.90%	\$23.38	\$3.93
Power Center	29	10,385,808	1,581,693	821,749	7.91%	\$21.65	\$2.89
Theme Festival Center	1	100,000	0	0	0.00%	No data	No data
Outlet Center	1	349,927	0	0	0.00%	No data	No data
Other	65	2,393,390	0	181,945	7.60%	\$16.04	\$2.70
Freestanding	77	7,839,745	0	290,237	3.70%	\$7.63	\$1.69
Mall	9	6,382,997	0	254,775	3.99%	\$15.00	No data
Total	396	50,219,239	2,047,291	3,833,184	7.63%	\$16.27	\$2.47

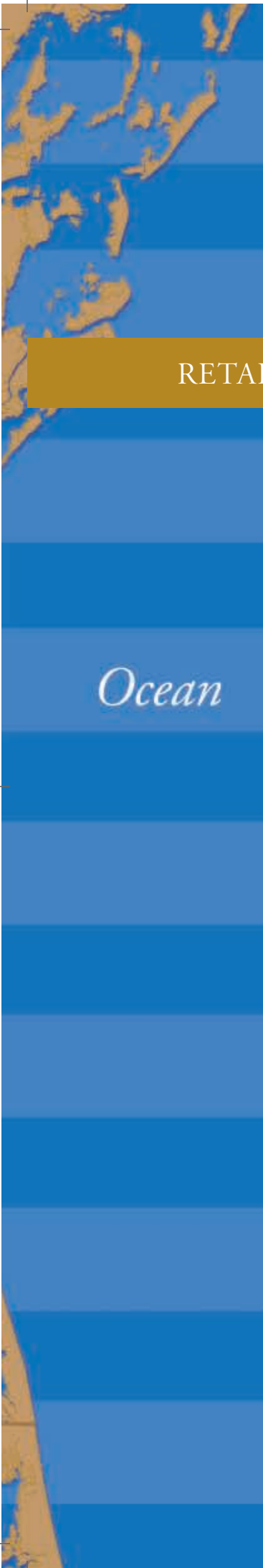
SOUTHSIDE BY TYPE

	NUMBER OF PROPERTIES	GLA IN SF	NEW CONSTRUCTION IN SF	VACANT SF	% VACANT	AVERAGE SMALL SHOP RATE PSF	AVERAGE CAM PSF
Neighborhood Center	103	8,008,694	102,280	624,031	7.79%	\$15.56	\$2.41
Community Center	37	6,316,996	240,000	756,955	11.98%	\$16.40	\$2.33
Fashion/Specialty Center	8	952,121	123,318	38,484	4.04%	\$23.38	\$3.93
Power Center	19	6,083,625	572,693	307,817	5.06%	\$22.23	\$3.14
Theme Festival Center	1	100,000	0	0	0.00%	No data	No data
Other	44	1,534,306	0	91,417	5.96%	\$16.54	\$2.85
Freestanding	44	4,531,421	0	145,000	3.20%	\$6.00	\$2.50
Mall	7	5,558,997	0	251,775	4.53%	\$15.00	No data
Total	263	33,086,160	1,038,291	2,215,479	6.70%	\$16.68	\$2.61

PENINSULA BY TYPE

	NUMBER OF PROPERTIES	GLA IN SF	NEW CONSTRUCTION IN SF	VACANT SF	% VACANT	AVERAGE SMALL SHOP RATE PSF	AVERAGE CAM PSF
Neighborhood Center	45	3,329,047	0	325,308	9.77%	\$14.55	\$2.11
Community Center	19	3,760,663	0	498,460	13.25%	\$16.42	\$2.12
Fashion/Specialty Center	2	399,851	0	41,240	10.31%	No data	No data
Power Center	10	4,302,183	1,009,000	513,932	11.95%	\$20.67	\$2.49
Outlet Center	1	349,927	0	0	0.00%	No data	No data
Other	21	859,084	0	90,528	10.54%	\$15.10	\$2.41
Freestanding	33	3,308,324	0	145,237	4.39%	\$8.17	\$1.42
Mall	2	824,000	0	3,000	0.36%	No data	No data
Total	133	17,133,079	1,009,000	1,617,705	9.44%	\$15.41	\$2.19





RETAIL SUBMARKETS

Southside

- 1** Bayfront
- 2** Birdneck/Oceanfront
- 3** Campostella
- 4** Chesapeake Square
- 5** Churchland/Harbourview
- 6** Dam Neck
- 7** Downtown Norfolk
- 8** Ghent
- 9** Great Bridge
- 10** Greenbrier/Battlefield Boulevard
- 11** Hilltop/Great Neck
- 12** Holland/Green Run
- 13** Indian River/College Park
- 14** Kempsville
- 15** Little Creek Road/Wards Corner
- 16** Little Neck
- 17** Lynnhaven
- 18** Middle Portsmouth
- 19** Military Highway/Janaf
- 20** Newtown
- 21** Pembroke
- 22** Princess Anne
- 23** Smithfield
- 24** Suffolk

Peninsula

- 25** Coliseum Central
- 26** Denbigh
- 27** Foxhill/Buckroe
- 28** Gloucester
- 29** Hampton Miscellaneous
- 30** Patrick Henry
- 31** Poquoson
- 32** Newmarket/Main
- 33** Williamsburg
- 34** York County



2008 RETAIL

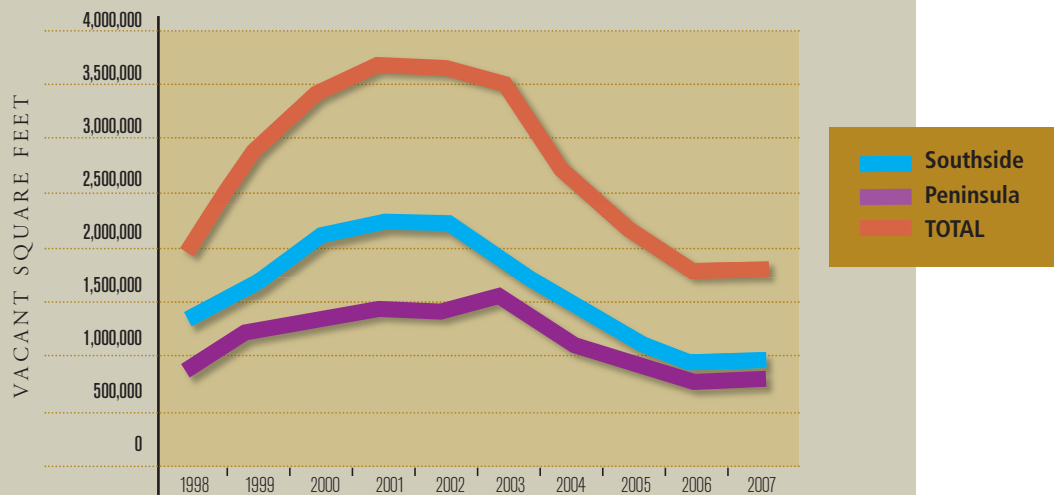
BIG BOX VACANCY

Big box vacancy in Hampton Roads declined to 1,775,648 square feet for 2007. This number represents 46 % of the total retail vacancy in the market. On the Southside, big box vacancies of 948,288 square feet represent 43% of the vacant space available while on the Peninsula 51% of the retail vacancy is attributed to the 827,360 square feet of big box product on the market.

VACANCY BY SUBMARKET

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Southside	1,316,595	1,607,323	2,073,115	2,207,416	2,220,935	1,906,391	1,513,523	1,142,319	957,887	948,288
Peninsula	864,474	1,232,255	1,328,841	1,435,489	1,407,021	1,556,029	1,141,207	982,263	819,163	827,360
TOTAL	1,950,441	2,839,578	3,401,956	3,642,905	3,627,956	3,462,420	2,654,730	2,124,582	1,777,050	1,775,648

BIG BOX VACANCY





NEW DEVELOPMENT

Hampton Roads continued to expand in 2007 with a fair amount of growth and redevelopment taking place on the Peninsula. A sampling of the change Hampton Roads witnessed this year is as follows:

Chesapeake

- | | |
|-----------------------------------|---------------------------------|
| 1. Cahoon Commons | Crescent Development (Complete) |
| 2. Country Club Shops | John Wood (Complete) |
| 3. The Shops at Chesapeake Square | Stanton Partners (Planned) |

Hampton

- | | |
|------------------------------|--------------------------------------|
| 1. The Peninsula Town Center | Mall Properties (Under Construction) |
|------------------------------|--------------------------------------|

Newport News

- | | |
|------------------------------|----------------------------------|
| 1. The Village of Stoney Run | The Breeden Company (Complete) |
| 2. The Marketplace | S.L. Nusbaum Realty Co (Planned) |

Suffolk

- | | |
|------------------------------------|-----------------------------------|
| 1. Harbourview East | Landonomics (Under Construction) |
| 2. The Marketplace at Harbourview | Hemisphere Development (Planned) |
| 3. Bennett's Creek | Stanton Partners / RDG (Complete) |
| 4. Obici Place | RDG (Planned) |
| 5. The Shops at Godwin Marketplace | S.L. Nusbaum/ Brinkley (Planned) |
| 6. Nansemond Crossing | Spectrum Development (Planned) |

Virginia Beach

- | | |
|-----------------------------|---|
| 1. Redmill Walk | Ellis Gibson Development (Under Construction) |
| 2. Landstown Commons | The Goodman Company (Complete) |
| 3. Indian Lakes Crossing | Armada Hoffer (Complete) |
| 4. The Shops at Town Center | S.L. Nusbaum (Planned) |

Williamsburg

- | | |
|-------------------------|-------------------------------|
| 1. Settlers Market | AIG (Under Construction) |
| 2. High Street | Rossland (Under Construction) |
| 3. Quarterpath Crossing | S.L. Nusbaum (Planned) |
| 4. Marquis | Premier (Phase 1 Open) |



2008 RETAIL

The following is a list of the properties included in this year's survey listed by submarket with a code representing the type of property. The GLA of the property is also listed.

- A** Neighborhood Center
- B** Community Center
- C** Fashion/Specialty Center
- D** Power Center
- E** Theme Festival
- F** Outlet Center
- G** Other
- H** Freestanding
- I** Mall

SOUTHSIDE

BAY FRONT

Bayside I & II	A	79,397
Cape Henry Plaza	A	58,424
Kroger	H	47,000
Marina Shores	G	29,000

BIRDNECK / OCEANFRONT

Birdneck SC	A	65,460
Farm Fresh	H	29,296
Harris Teeter	H	48,000
Linkhorn Shops	A	48,899

CAMPOSTELLA

Atlantic Commons	A	63,393
Bainbridge Marketplace	A	46,444
Campostella Corner	A	43,375
George Washington Commons	A	44,942
Holly Point SC	A	65,321
Southgate Plaza	A	69,429

CHESAPEAKE SQUARE

BJ's	H	115,660
Chesapeake Center	B	296,832
Chesapeake Square Mall	I	800,000
Crossroads @ Chesp. Sq.	D	225,000
Food Lion @ Chesp. Sq.	H	45,000
Home Depot	H	130,060
Lowes	H	115,000
Taylor Road Plaza	A	60,000
Wal-Mart Supercenter / Sam's Club	H	350,000

CHURCHLAND / PORTSMOUTH / HARBOURVIEW

Academy Crossing	G	45,483
Churchland Blvd SC (Formerly Farmco Plaza)	G	52,966
Churchland Place	G	21,000
Churchland SC	A	149,741
Churchland Square	A	64,989
Grand	H	30,000
Harbourview Station East	D	217,308
Harbourview Station West	D	83,007
Marketcenter at Harbourview	A	65,750
Marketplace Square	G	12,461
Poplar Hill Plaza	B	102,326
Sterling Commons	A	75,660

Towne Point Square	A	58,989
Western Branch Crossing	H	55,000

DAM NECK

Courthouse Walk	A	21,600
Dam Neck Crossing	B	138,571
Dam Neck Square	A	67,917
General Booth Plaza	A	73,320
Red Mill Commons	D	586,575
Red Mill Walk	B	240,000
Sandbridge SC	A	66,800
Strawbridge Marketplace	A	172,429

DOWNTOWN

Church Street Crossing	A	51,000
MacArthur Center Mall	I	1,100,000
Waterside Festival Marketplace	I	130,338

Ghent

21st Street Pavilion	G	21,000
Center Shops	A	129,966
Colley Village	A	44,585
Farm Fresh	H	40,000
Ghent Place	G	13,000
Harris Teeter	H	27,000
Palace Shops I, II	C	71,794
Palace Station	G	38,000
The Corner Shops	G	21,512

GREAT BRIDGE

Cahoon Commons	D	215,000
Cedar Lakes Center	A	35,396
Centerville Crossing	A	55,000
Crossings at Deep Creek	A	68,970
Dominion Marketplace	A	73,103
Dominion Plaza SC	A	63,733
Former Winn Dixie	H	50,000
Glenwood Square	A	73,859
Great Bridge SC	A	158,000
Hanbury Village	A	100,560
Harbor Watch Shoppes	G	21,505
Las Gaviotas	A	82,000
Millwood Plaza	G	16,969
Mt. Pleasant Shopping Center	A	100,000
Mt. Pleasant Village	A	39,970
Wilson Village	A	52,500
Woodford Shoppes	B	9,760

GREENBRIER / BATTLEFIELD BOULEVARD

Battlefield Marketplace	G	30,000
Chesapeake Crossing	B	287,679
Crossways Center I & Eden Way Shops	D	438,725
Crossways II	D	152,686
Edinburgh Commons North	D	195,111
Edinburgh East	D	133,000
Gainsborough Square	A	88,862
Greenbrier Mall	I	809,017
Greenbrier Market Center	D	487,580
Greenbrier South SC	A	97,500
Home Depot	H	130,060
K-Mart / OfficeMax	H	165,000
Knell's Ridge Square	G	40,000
Lowes	H	114,000
Orchard Square	A	88,910
Parkview @ Greenbrier	A	83,711
Regal Cinemas	H	60,763
The Shoppes at Greenbrier	G	40,000
Townplace at Greenbrier	C	127,109
Village Square	G	15,000
Volvo Parkway SC	G	41,874
Walmart Way Crossing	G	80,160
Wal-Mart / Sam's Club / Kohl's	D	433,821

HILLTOP / GREAT NECK

Great Neck Square	A	93,887
Great Neck Village	A	73,836
Hilltop East	C	100,000
Hilltop North	B	202,511
Hilltop Plaza	B	152,025
Hilltop Square	B	270,093
Hilltop West	G	60,000
La Promenade	C	63,280
Marketplace at Hilltop	C	113,000
Regency Hilltop	B	236,549
Renaissance Place	G	47,667
Target	H	122,000

HOLLAND / GREEN RUN

Auburn Place	A	44,846
Chimney Hill	B	207,175
Green Run Square	A	60,000
Holland Plaza SC	A	165,867
Holland Windsor Crossing (Super K-Mart)	B	237,000

Lowe's	H	125,323	Regatta Bay Shops	G	60,000	Newtown Center	G	19,876
Lynnhaven Green	A	50,838	Sam's Club Plaza	D	248,604	Newtown Convenience Center	G	19,800
Shipps Corner	A	63,355				Thomas Corner SC	G	23,557
Timberlake SC	A	73,500				Weblin Square	G	31,552
INDIAN RIVER / COLLEGE PARK			LYNNHAVEN ROAD			ODU		
College Park I & II	B	181,902	Lynnhaven Crossing	G	55,550	University Village	G	36,500
Indian River Plaza	B	126,017	Lynnhaven East	B	97,303			
Indian River SC	A	123,752	Lynnhaven Mall	I	1,293,100			
Tidewater Plaza	A	50,638	Lynnhaven North	B	176,254			
KEMPSVILLE			Lynnshores Shopping Center	G	12,692	PEMBROKE		
Arrowhead Plaza	A	97,006	Lynnway Place	G	30,213	Aragona SC	A	69,700
Fairfield SC	B	239,763	Parkway Plaza	G	42,000	Best Buy	H	45,000
Kemps Corner Shoppes	G	25,929	Walmart	H	113,112	Bloom Brothers Furniture	H	58,000
Kemps River Center	A	62,507	MIDDLE PORTSMOUTH			Circuit City	H	38,414
Kemps River Crossing	B	245,268	Afton SC	A	106,500	Collins Square	A	111,370
Kempsville Crossing	A	111,394	Airline Center	A	69,000	Columbus Village East	A	63,000
Kempsville Plaza	A	60,778	Airline Plaza	A	99,549	Columbus Village Entertainment Center	E	100,000
Parkway Marketplace	A	26,602	Elmhurst Square	A	45,842	Dean Plaza (Former HQ)	D	140,000
Providence Square SC	A	135,915	Gilmerton Square	G	43,236	Giant Square	B	150,000
University Shoppes	A	26,100	Manor Commerce Center	G	67,060	Goodwill	H	34,000
Woods Corner	A	152,314	Manor Village	G	14,573	Haverty's	H	55,000
LITTLE CREEK ROAD / WARDS CORNER / OCEAN VIEW			Olde Towne Market Place	A	38,200	Haygood SC	B	160,129
Ames / Kroger	B	140,568	Rodman SC	A	45,000	Haynes	H	228,000
Dollar Tree Shopping Center	A	51,415	Super Walmart	H	200,000	Hunter's Mill Shoppes	G	22,827
East Beach Shoppes	A	63,000	Triangle SC	G	82,430	Loehmann's Plaza	C	139,380
Farm Fresh - Little Creek	H	66,000	Victory Crossing	D	445,758	Northern Super Center	G	36,588
Glenwood Shoppes	A	53,255	Victory West Shopping Center	A	167,102	Pembroke East	B	27,200
Little Creek East SC	B	202,338	Williams Court	B	214,739	Pembroke Mall	I	570,000
Little Creek Square	A	82,300	MILITARY HIGHWAY / JANAF			Pembroke Meadows SC	A	81,592
Meadowbrook S C	G	27,260	Best Square	B	140,030	Pembroke Place	B	165,000
Mid-Town SC	A	75,768	Broad Creek SC	D	205,417	Pembroke Plaza	G	34,900
Mid-Way SC	G	31,000	Bromley SC	A	55,330	Roomstore	H	50,000
Ocean View SC	A	73,658	CostCo	H	110,000	The Town Center of Virginia Beach	C	260,000
Roosevelt Gardens SC	A	109,175	Dump / Mega Office	G	115,854	Value City	H	95,000
Southern SC	B	258,035	Farm Fresh	H	60,000			
Suburban Park	B	127,450	Food Lion #170	H	41,000	PRINCESS ANNE ROAD		
Super Walmart	H	225,000	Grand Outlet	H	35,000	Courthouse Marketplace	A	122,000
Tidewater I & II SC	B	126,212	Janaf	D	878,381	Home Depot	H	260,000
Wards Corner Strip	A	61,540	Lowe's	H	115,000	Kempsville Marketplace	A	71,460
Wedgewood SC	A	130,000	Military Crossing	D	195,003	Landstown Commons	D	500,000
LITTLE NECK			Military Triangle	G	10,061	Lynnhaven Square S C	G	22,933
Ames Plaza	B	177,549	Northampton Business Center			Parkway SC	A	64,820
Birchwood SC	A	358,635	(former 5760 North Hampton Blvd.)	G	80,000	Pleasant Valley Marketplace	A	86,107
Home Depot	H	130,060	Super K-Mart & Shoppes	B	200,000	Princess Anne Marketplace	B	209,500
Kroger	H	45,000	Super Walmart	H	224,513	Princess One SC	A	84,725
London Bridge Plaza	B	120,000	The Gallery @ Military Circle	I	856,542	Salem Crossing	D	392,407
Lowe's	H	160,000	NEWTOWN			Salem Lakes SC	A	37,087
Lynnhaven Convenience	G	36,100	Cypress Plaza SC	A	59,012	Woodtide SC	A	25,500
Lynnhaven Shopping Center	B	140,000	Cypress Point	A	117,958			
Princess Anne Plaza West	C	77,558	Diamond Springs Shoppes	G	24,000	SMITHFIELD		
			Newpointe SC	A	92,978	Cypress Run SC	G	25,000
			Newtown Baker Crossing	A	91,687	Eagle Harbor	A	77,400
						Smithfield Plaza	B	89,120
						Smithfield Square	A	65,244



2008 RETAIL

SUFFOLK

Bennett's Creek Crossing	A	114,300
Bennett's Creek Food Lion	A	64,544
Holland Plaza	A	69,345
Kensington Square	A	60,000
Lowes	H	150,000
Oak Ridge	A	38,700
Suffolk Plaza	B	174,221
Suffolk Plaza West	A	60,000
Suffolk SC	B	85,803
Suffolk Specialty Shops	G	15,200
Suffolk Village SC	G	11,875
Walmart Super Center	H	194,160

PENINSULA

COLISEUM CENTRAL

Coliseum Corner	A	49,267
Coliseum Crossing	B	221,004
Coliseum Marketplace	A	86,681
Coliseum Specialty Shops	G	15,026
Coliseum Square	G	45,041
Hampton Towne Centre	D	376,100
Hampton Woods	A	89,092
Home Depot	H	130,060
Riverdale Plaza	D	280,133
Sports Authority	H	40,000
Target	H	122,000
The Power Plant	D	621,150
Todd Center & Todd Lane Shops	B	242,000
Walmart Super Center	H	193,316

DENBIGH

Beaconsdale SC	A	28,000
Denbigh Crossing	A	145,000
Denbigh Speciality Shops	G	24,504
Denbigh Village Centre	B	334,299
Ferguson Center	G	118,000
Former Hills Denbigh	H	86,589
Kmart	H	115,854
Lee Hall Plaza	A	36,000
Newport Crossing	B	200,088
Richneck Shopping Center	A	63,925
Stoneybrook Shopping Center	A	75,000
Turnberry Crossing	A	53,775
Village Square	A	40,000
Warwick Denbigh SC	B	137,925

FOXHILL / BUCKROE / EAST MERCURY

Buckroe SC	A	89,594
Farm Fresh Phoebus	H	39,000
Kmart	H	94,500
Langley Square	A	146,434
Marketplace @ Nickerson	A	70,450
Nickerson Plaza	A	83,849
Willow Oaks Village Square S.C.	B	193,728

GLOUCESTER

6513 Market Drive	H	92,273
Food Lion	H	40,000
Hayes Plaza SC	A	52,651
Hayes SC	A	100,000
Home Depot	H	100,000
Lowe's	H	125,000
Walmart Super Center	H	220,000
Winn Dixie Marketplace	B	165,000
York River Crossing	B	175,000

HAMPTON MISCELLANEOUS

Kecoughtan SC	A	64,237
The Shops at Hampton Harbor	G	54,645

NEWMARKET / MAIN

4113 W Mercury Blvd.	H	49,770
4205 W. Mercury Blvd.	H	28,080
Brentwood SC	A	53,600
Dresden SC	G	35,000
Forest Park Square	B	150,000
Francisco Village	A	55,865
Hampton Plaza	B	173,199
Hilton SC	A	74,000
Midway Shopping Center	G	58,780
Newmarket South	D	387,221
Plaza @ Newmarket	B	117,377
Warwick Center	A	150,000
Warwick Village	A	75,400

PATRICK HENRY / OYSTER POINT / KILN CREEK

Bayberry Village	A	60,147
Best Buy Building	H	135,000
City Center	C	149,851
Commonwealth Center	G	30,279
Fairway Plaza	G	37,950
Glendale SC	G	30,000
Grand Furniture	H	35,000
Harris Teeter	H	52,334
Haverty's	H	45,000
Haynes	H	170,000
Hiddenwood SC	A	108,000
Jefferson Commons	D	400,000
Jefferson Greene	G	57,430
Jefferson Plaza	D	178,200
Kroger	H	55,000
Lowes	H	120,000
Market Place @ Oyster Point	A	69,660
Newport Marketplace	D	450,000
Newport Square	B	184,126
Office Depot	H	30,122
Oyster Point Plaza	A	73,197
Oyster Point Square	A	83,089
Patrick Henry Mall	I	644,000
Patrick Henry Place	A	96,391
Sam's Club	H	133,880

The Shoppes at Oyster Point	G	30,000
Victory Center @ Kiln Creek	A	61,000
Village Square @ Kiln Creek	B	263,000
Villages of Kiln Creek	G	45,300
Walmart Super Center	H	201,146
Yoder Plaza SC	D	435,000

POQUOSON

Poquoson SC	A	57,458
Wythe Creek SC	A	51,063

WILLIAMSBURG

Colony Square	A	66,806
Ewell Station	A	68,048
Festival Marketplace	G	16,216
Gallery Shops	G	18,187
Governor's Green SC	A	100,000
Home Depot	H	130,000
James York Plaza	B	138,677
Kingsgate Green	B	138,348
Lowes	H	163,000
Marketplace Shoppes	G	26,626
Marketplace Shopping Center	G	30,000
Monticello Marketplace	B	300,000
Monticello SC	A	82,000
Newtown	C	250,000
Norge Crossing	H	52,000
Olde Towne SC	G	30,000
Prime Outlets	F	349,927
Staples	H	37,400
The Marquis (Phase I)	D	1,000,000
Village Shops at Kingsmill	G	82,200
Wal-Mart SuperCenter	H	210,000
Williamsburg Crossing	A	149,933
Williamsburg Farm Fresh	A	79,188
Williamsburg Marketcenter	B	120,920
Williamsburg Outlet Mall	I	180,000
Williamsburg Pavilion Shops	G	50,000
Williamsburg SC I & II	B	251,000
Williamsburg Towne and Cnty	A	49,802
WindsorMeade Marketplace	D	174,379
Yankee Candle	H	42,000

YORK COUNTY

Grafton SC	A	32,000
Heritage Square	A	86,000
Kiln Creek Center	A	45,700
Marketplace @ Yorktown	A	73,050
Patriots Square	A	47,231
Shady Banks SC	A	57,654
Wal-Mart SuperCenter	H	220,000
Washington Square & Shops	B	254,972
York Square	A	48,720
Yorkshire Downs	G	23,900

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<p>Sale of 500 Crawford Street, Portsmouth 42,000 SF office building for Chesapeake Manor Associates and Miller Group of Virginia</p> <p><i>Represented by</i> Don Crigger, CCIM, Brian Kollar Mike Mausteller</p>	<p>Lease at Enterchange @ Hampton to Northrop Grumman 360,747 SF of industrial space for Devon USA Inc.</p> <p><i>Represented by</i> Clay Culbreth, SIOR, CCIM Stephanie Sanker, CCIM</p>	<p>Lease of 11817 Canon Blvd., Newport News & 2 Eaton St., Hampton by US Air Force 80,878 SF of Class A Office Space for Armada Hoffer/Hampton Center Associates LP and Oyster Point Investors LP.</p> <p><i>Represented by</i> Chris Bendit</p>
<p>Lease of Sabre Street III, Virginia Beach to Avalon Bay 22,199 SF of single-story office building for Sifen Development</p> <p><i>Represented by</i> Don Crigger, CCIM Garren Brown</p>	<p>Sale of 901 Enterprise Parkway, Hampton to various owners 33,138 SF of Class A office condos for Hampton Office Condos LLC.</p> <p><i>Represented by</i> Jay Joseph Edward Salyers Mary Ellen Woolfolk Clark Baldwin, CCIM</p>	<p>Sale of 3415 Azalea Garden Road on 5.5-acre parcel, Norfolk 25,000 SF building for Boys & Girls Club of Southeastern Virginia and Christian Fellowship Inc.</p> <p><i>Represented by</i> Ken Benassi, SIOR Gary Ruffner, CCIM</p>

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INDUSTRIAL

2008 HAMPTON ROADS REAL ESTATE MARKET REVIEW

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- | | |
|---|--------------------------------------|
| Greenbrier | Ron Biesecker
& Christine Kaempfe |
| Bainbridge/S. Elizabeth River Area | Chip Worley |
| Cavalier Industrial Park | Pat Mumej
& Scott Wermers |
| Norfolk Commerce Park &
Central Norfolk Area | Worth Remick |
| Norfolk Industrial Park | Charles Dickinson |
| West Side/Midtown Norfolk Area | Billy King |
| Lynnhaven | Brian Baker |
| Greenwich/Cleveland Streets Area | Bobby Beasley |
| Airport Industrial Park | Bobby Beasley |
| Portsmouth | Abe Ellis |
| Suffolk | Bill Throne |
| Isle of Wight | Billy King |
| Copeland/Lower Peninsula | Clay Culbreth |
| Oyster Point/Middle Peninsula Area | Bobby Phillips |
| Oakland/Upper Peninsula Area | Trip Ferguson |
| Williamsburg Extended Area | Bobby Phillips |



2008 INDUSTRIAL



General Overview

This report analyzes the 2007 industrial real estate conditions within the Virginia Beach-Norfolk-Newport News, VA-NC Metropolitan Statistical Area (the “MSA”) that is also known as Hampton Roads. It provides inventory, vacancy, rent, sale and other data for the MSA. The survey includes properties in the cities of Chesapeake, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg, plus the counties of Gloucester, James City, York and Isle of Wight.

METHODOLOGY

This survey includes the following types of properties:

- Office-warehouse, industrial and shop facilities of 5,000 square feet or greater, although some facilities of less than 5,000 square feet may be included.
- Properties must have less than 80% office space to be included in the ODU survey.
- Both owner-occupied and leased properties are included. Owner-occupied is defined as a property that is 100% occupied by a business that is the same as or is related to the owner of the building.
- All properties that are available and are listed for sale or lease regardless of whether they are occupied, unless they are strictly available for sale as an investment property. For example, a property that is available for sale and is currently occupied on a short-term lease is included.
- All properties that have commenced construction (foundations installed minimum).

The survey excludes the following types of properties:

- Land
- Warehouse or shop facilities on shipyard properties
- Warehouse or other industrial facilities on federal government property (e.g., military installations)
- Industrial facilities on government property (e.g. Norfolk International Terminal or Newport News Marine Terminal)

Functional submarket delineations are determined with some regard to city boundaries but boundaries are not determinative. The entire market is divided into 16 submarkets defined by industrial building concentrations, the transportation network, and pertinent physical features. The area map included in this report provides a location key for reference.

The E. V. Williams Center for Real Estate and Economic Development (CREED) at Old Dominion University has been tracking the inventory of the Hampton Roads industrial market since 1995. The results of this year’s survey (collected during the 4th quarter of 2007) indicate that the Hampton Roads industrial market currently encompasses 103,794,954 total square feet of space located in 2,743 build-



ings throughout the region. This is an increase of 3,557,444 square feet, or 3.55% from last year's survey. The increase is primarily due to expansions of existing buildings and new construction started in the marketplace. As a counter to these increases there was an elimination of eight (8) buildings (in the Westside Norfolk submarket) that were demolished or converted to alternative uses (multi-family, mini-storage and retail).

HAMPTON ROADS OVERVIEW

This year, Hampton Roads' vacancy rate increased to 10.51% from 5.87% in last year's survey. The vacancy rate, as measured in the beginning of 2007, was the lowest rate that has been recorded for the area since the survey started in 1995. This year's reported vacancy rate of 10.51% is 79% higher than last year's rate, and is historically a high rate for our market. The vacancy rate was up in 14 out of 16 submarkets covered. Total Hampton Roads market absorption this year was a negative 1.85% or -1,745,376 square feet, as compared with a positive 2.80% (2,566,823 square feet) in 2006. Absorption was negative on both the Peninsula (-332,455 square feet) and Southside (-1,412,910 square feet).

Last year's report termed 2006 a "commitment year" for the Hampton Roads Industrial Market because of 1) the start up and substantial completion of seven major speculative distribution projects and 2) the continuing escalation of lease rates in the vast majority of the market that was adequately served by its existing space. The studied market year of 2007, might be termed an "impact" year for the Market. First, eight additional new projects commenced or finished and, thus, became available inventory in our market. These projects are as follows:

	Square Footage
1. Logistics America (NYK) by ProLogis	130,000
2. West Park Two by Taurus/High Street Equity Advisors	180,000
3. Bay Warehouse Addition by First Potomac	100,000
4. Virginia Regional Commerce Center by The Regional Companies	400,000
5. Agiao Phase II (Oceana South)	90,000
6. Virginia Commerce Center by MacDonald Development	385,320
7. Oceana South One by Commonwealth Development	81,400
8. Enterchange Two by Devon Group/Schneider National	470,200
Total New Projects Commenced or Completed in 2007	1,836,920
Seven new projects listed in 2006 survey	1,723,100
Total new projects last 2 years	3,560,020

Second, as a backdrop to all this additional space being available to our market, there were few new large lease deals that were concluded in 2007. Samples of these are as follows:

- Guardian Moving and Storage - 138,000 s.f. in the Gateway Manufacturing building, Hampton
- Tire Centers - 31,500 s.f. in Bridgeway III, Suffolk
- Northrop Grumman - 240,000 s.f. in Enterchange II, Hampton
- Lockheed Martin - 30,000 s.f. at 1408 Stephanie Way, Chesapeake



2008 INDUSTRIAL



Virginia Commerce Center in Suffolk

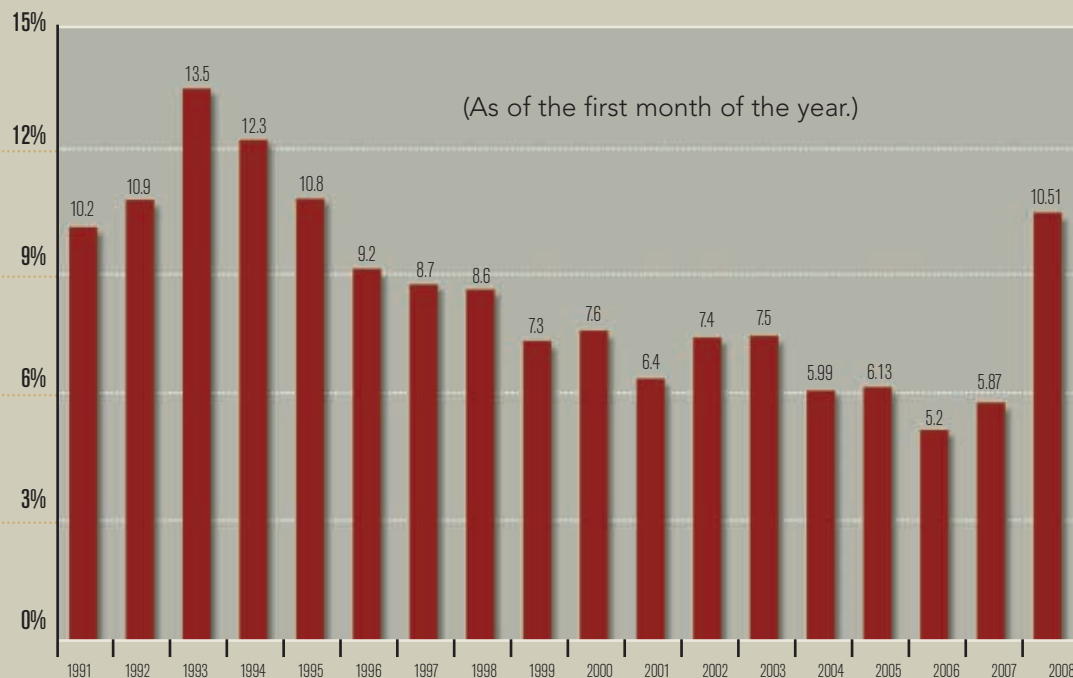
There were many other significant deals that were "tracking" in the market last year, but did not get concluded. Two major factors negatively impacted the demand element of our Hampton Roads Leasing Market in 2007:

1. The well documented success of the ports of Savannah and Charleston to the detriment of Port of Hampton Roads in capturing certain major import distribution accounts;
2. Nationally, "Warehouse and Distribution Centers experienced a significant slowdown in demand, translating into a stall into improving vacancy trend that this sector had enjoyed since the economy emerged from recession....several years ago": Hugh Kelly, CRE as quoted in SIOR "Professional Report" – Vol. 66, No. 4, Fall 2007.

Third, the closing of the Ford F-150 Truck Plant in the Berkley section of Norfolk dampened the market. In addition to the loss of Ford employees and industrial activities at the 2,300,000 square foot plant, at least 6 suppliers, including TDS, Visteon and Johnson Controls were in various stages of closing their operations in 2007. These suppliers accounted for 601,000 square feet of "give back" space. Some of this space had been re-absorbed by the end of 2007.

Despite these conditions, sales prices of user (owner occupied) properties continued a very strong pace in 2007.

HAMPTON ROADS INDUSTRIAL MARKET VACANCY RATE



SALES OVERVIEW

The market continued to show elevated prices even as compared to strong years in 2005 and 2006. Industrial building sales prices predominated in the \$40 per square feet (p.s.f.) to \$70 p.s.f. range. There were several sales that were finalized in the higher \$100 - \$140 p.s.f. range, as a result of either high-end or park locations, developed yard or surplus land area. Available modern industrial buildings for purchase remained very difficult to find in 2007 in all size ranges.

REPRESENTATIVE BUILDING SALES TRANSACTIONS

Date	Location	Sq. Ft.	Price	\$/SF	Acres
3/07	Truck Enterprises - Cavalier	12,750	\$3,200,000	\$250.98	7
7/07	Blackhawk Industries	47,378	\$3,250,000	\$69.00	4.6
7/07	Cavalier Marine Supply	39,500	\$1,300,000	\$32.91	1.453
7/07	Ethan Allen	13,950	\$1,650,000	\$118.28	1.5
11/07	Lee's Tires	50,582	\$1,850,000	\$36.38	2.99
12/07	Johnson Controls	69,018	6,825,000	\$98.89	12.07

2007 ODU HAMPTON ROADS INDUSTRIAL SURVEY

SUBMARKET TOTALS

Submarket	City	Bldgs Surveyed	Total s.f.	Vacancy s.f.	Vacancy %
Greenbrier Area	Chesapeake	274	8,342,696	308,286	3.70%
Bainbridge/S. Elizabeth River Area	Chesapeake	133	5,464,312	385,783	7.06%
Cavalier Industrial Park Area	Chesapeake	179	5,959,713	596,380	10.01%
Norfolk Commerce Park/Central Norfolk Area	Norfolk	142	7,076,668	2,609,090	36.87%
Norfolk Industrial Park Area	Norfolk	339	10,196,798	655,962	6.43%
West Side/Midtown Norfolk Area	Norfolk	261	6,441,519	290,845	4.52%
Lynnhaven Area	Virginia Beach	253	7,449,758	730,961	9.81%
Greenwich/Cleveland Streets Area	Virginia Beach	127	3,141,006	60,102	1.91%
Airport Industrial Park Area	Virginia Beach	70	3,684,329	330,881	8.98%
City of Portsmouth	Portsmouth	154	4,004,464	297,805	7.44%
City of Suffolk	Suffolk	115	11,535,116	1,477,357	12.81%
Isle of Wight	Isle of Wight	27	2,788,716	355,766	12.76%
Southside Totals		2,074	76,085,095	8,099,218	10.64%
Copeland/Lower Peninsula Area	Peninsula	363	9,983,484	2,103,397	21.07%
Oyster Point/Middle Peninsula Area	Peninsula	149	4,109,297	67,657	1.65%
Oakland/Upper Peninsula Area	Peninsula	97	4,611,983	254,733	5.52%
Williamsburg Extended Area	Peninsula	60	9,005,095	381,602	4.24%
Peninsula Totals		669	27,709,859	2,807,389	10.13%
Totals		2,743	103,794,954	10,906,607	10.51%



2008 INDUSTRIAL

LEASING OVERVIEW

Industrial Leasing Highlights and Comparable Leases for 2007 included the following:

- Noland Company HVAC Division lease of 818 Blue Crab Road, Newport News – 17,000 square feet for 120 months at \$7.25 p.s.f., NNN (Oyster Point Park).
- Guardian Moving and Storage Co. lease at former Gateway Manufacturing facility, Hampton – 134,589 square feet on a 95 month lease (cancellable based on contract) at \$4.35 p.s.f., NNN.
- Northrop Grumman (Newport News Ship) anchor tenant lease of Enterchange Hampton II – 240,000 square feet at \$4.90 p.s.f. for 180 months.
- City Electric Company lease of 7,500 square feet at 5875 Adderly Street, Norfolk - \$6.25 p.s.f., Modified Net for 60 months.
- Loomis Fargo and Co. lease of 13,750 square feet at Woodlake Distribution Center – Chesapeake - \$7.00 p.s.f., NNN for 120 months.

RENTS FOR AVAILABLE SPACES BY SIZE RANGE

Begin Size (s.f.)	2001	2002	2003	2004	2005	2006	2007
> 5,000	\$6.34	\$7.16	\$6.95	\$7.30	\$7.75	\$7.85	\$7.90
5,000 - 20,000	\$4.46	\$5.80	\$5.89	\$6.20	\$6.50	\$6.75	\$6.95
20,000 - 40,000	\$4.35	\$4.99	\$5.21	\$5.45	\$5.75	\$5.85	\$5.90
40,000 - 60,000	\$4.15	\$4.13	\$4.44	\$4.75	\$4.95	\$5.00	\$4.75
> 60,000	\$3.24	\$3.43	\$3.15	\$4.00	\$4.30	\$4.35	\$4.25

PERCENTAGE OF AVAILABLE SPACES BY SIZE RANGE

Begin Size (s.f.)	2001	2002	2003	2004	2005	2006	2007
> 5,000	30%	15%	32%	25%	30%	25%	20%
5,000 - 20,000	40%	52%	44%	40%	42%	30%	15%
20,000 - 40,000	15%	18%	12%	15%	13%	15%	20%
40,000 - 60,000	9%	8%	7%	8%	6%	10%	20%
> 60,000	6%	7%	5%	12%	9%	20%	25%

Average market asking rents for small and medium size spaces (less than 30,000 square feet) continued to rise during 2007. Rates for larger spaces continued to be higher than other outside markets, but the rates for larger spaces have been moderated this year by the availability of the aforementioned new, high bay projects. This trend and the negative rent impact on larger spaces should continue in 2008 and, perhaps, 2009, depending on how demand develops. The variance between asking lease rates and final negotiated rates, which are highly dependent on the age and location of a particular building, continued to be between 0% and 15% in 2007 with the wider ranges applying to the larger, new facilities. Five new projects were announced to begin in 2008 but whether they, in fact, start depend largely on market demand.

LAND SALES

Industrial land sale highlights for 2007 included:

- 22 acres in Greenmount Industrial Park (James City County) sold to user for \$45,454 per acre.
- 6 acres to Earthcore Industries in Cavalier Industrial Park from the City of Chesapeake at \$107,500 per acre (\$645,000).
- Chesapeake Deep Water Terminal – 81 acres (useable) to International Bio-Energy – Virginia Real Estate, LLC for intended development of Ethanol plant - \$6,075,000 (\$75,000 per acre).
- 240 acre Britt site on Route 58 in Suffolk sold to McDonald Development for \$8,100,000 (\$33,750/acre).

INVESTMENT SALES

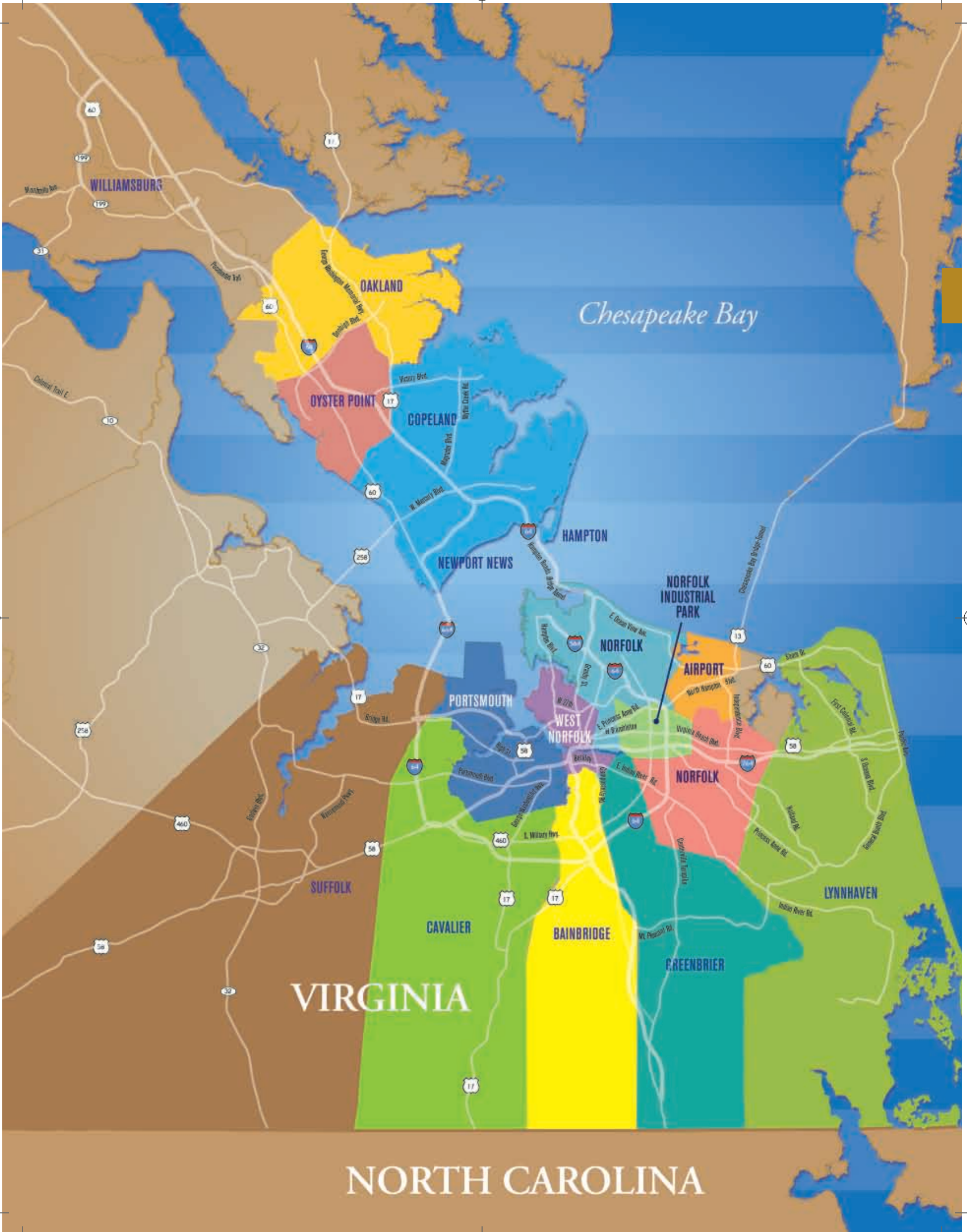
Overall, 2007 was a very active year for industrial investment sales, as compared with the quieter 2006 year. Among the investment projects trading hands were the following:

- MB Handy property - a 60,000 square foot, 2 tenant property including General Electric Supply in the Norfolk Industrial Park, sold to Helmsman Properties;
- The 62,000 square foot Greenbrier Distribution Center (Jamad II), in Greenbrier sold to a local investor;
- The 146,000 square foot Airport Industrial Center II property, anchored by Federal Express, sold by Krieder-Schockey to Cambridge-Hanover.
- The 41,500 square foot Carrier-Mid Atlantic property in Norfolk Industrial Park, sold to a local investor.

FORECAST

Our forecast for 2008, based on the above, is as follows:

1. Continued strong investor and prospect interest in Hampton Roads because of its diversified industrial base, including defense, port-related distribution and industrial supplies.
2. Strength in all market areas, with the exception of the larger, high-bay warehouse segment, which will experience intense competition for quality tenants and, thus, lower than expected rental rates for new space and the potential flattening of rates for older, less modern space.





INDUSTRIAL SUBMARKETS

Southside

Suffolk
Portsmouth
West Norfolk
Central Norfolk
Cavalier
Bainbridge
Norfolk Industrial Park
Airport Industrial Park
Greenbrier
Cleveland
Lynnhaven

Peninsula

Copeland
Oakland
Oyster Point
Williamsburg Extended

Princess Anne Executive Park

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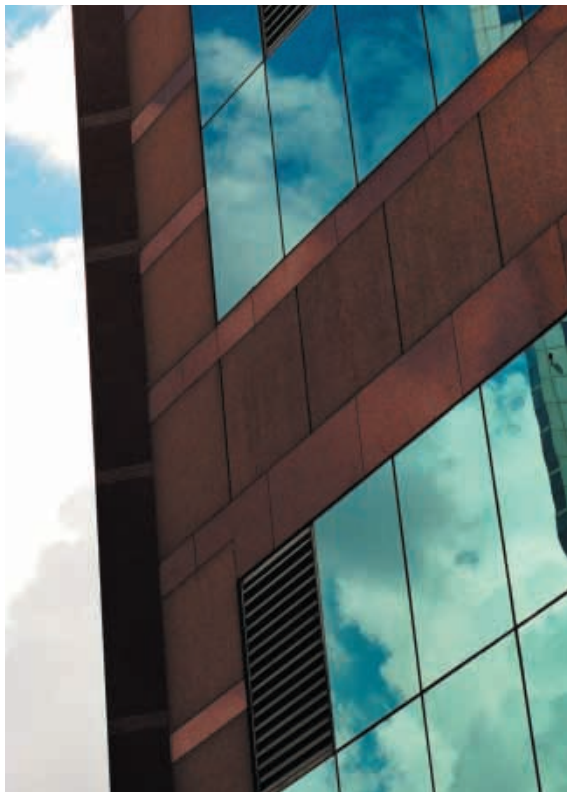
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2008 HAMPTON ROADS REAL ESTATE MARKET REVIEW

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2008 OFFICE

General Overview

In 2007, the Hampton Roads Office Market paralleled the statistical performance of the overall national market which continued a modest growth pattern. While stable, this growth curve flattened last year compared with previous years as net absorption was only slightly positive. Historically, 500,000 square feet (s.f.) has been the market average net absorption in the Hampton Roads market and our region managed barely more than 100,000 s.f. last year on the heels of a below average 300,000 square foot in 2006.

With nearly 600,000 s.f. of new office product delivering during 2007, this minimal absorption led to a nearly 2% increase in overall market vacancy. While still healthy in the 10%

This trend of increasing vacancy is likely to continue into 2008 as speculative projects under construction are more prevalent than in previous years. Fortunately, these projects are spread across the region and should be appropriately sized to meet the demand in selected submarkets.

range, it marks the end of several consecutive years of decreasing vacancy. This trend of increasing vacancy is likely to continue into 2008 as speculative projects under construction are more prevalent than in previous years. Fortunately, these projects are spread across the region and should be appropriately sized to meet the demand in selected submarkets.

In a region bounded by water, land scarcity is continuing to drive prices of the choicest remaining property sites even

higher. Combining this with higher construction costs is leading to unprecedented asking rental rates for new projects both in the suburbs and downtown. In most cases, new construction rents are more than 20% higher than rates in existing class "A" buildings.



DEFINITIONS OF TERMS

BUILDING CLASSES

CLASS A: Most prestigious buildings competing for premium office users with rents above the average for the area. Buildings have high quality standard finishes, state of the art systems, exceptional accessibility and a definite market presence. In addition, Class A Buildings in this survey:

1. Command rents at the highest level.
2. Were generally constructed since 1996 if low rise or since 1980 if high rise.
3. Have interior appointments and standards representative of the top of the market.
4. Are multi-story buildings with high quality exterior materials and landscaping.
5. Are professionally managed and maintained.
6. Are in an excellent location within the submarket.
7. Offer building amenities such as food service, conference room, fitness center.

CLASS B: Buildings competing for a wide range of users with rents in the average range for the area. Building finishes are fair to good for the area and systems are adequate, but the building does not compete with Class A at the same price. In addition, Class B buildings in this survey:

1. Achieve rents generally \$2-\$3 below Class A buildings.
2. Are primarily low-rise and flex-type properties, except in Downtown locations.
3. Were generally constructed prior to 1996.
4. Have good quality interior appointments and standards.
5. Are professionally managed and maintained.
6. Have good quality exterior materials.

CLASS C: Buildings competing for tenants requiring functional space at rents below the average for the area. In addition, Class C buildings in this survey:

1. Have rents at the lowest range of competitive office space; generally \$4-5 below Class A buildings.
2. Were constructed prior to 1986 and modestly maintained.
3. Have systems and interior appointments that are dated.
4. May not provide handicap access or meet other current building core requirements due to "grandfather" code provisions.

REGION

Hampton Roads: The Hampton Roads region comprises the cities of Chesapeake, Norfolk, Portsmouth, Suffolk, Virginia Beach, and Isle of Wight County to the South; the cities of Hampton, Newport News, Poquoson, and Williamsburg and the counties of Gloucester, James City, Mathews, and York to the north on the Virginia Peninsula; and Currituck County, North Carolina. Office properties in Chesapeake, Norfolk, Portsmouth, Suffolk, Virginia Beach, Hampton, Newport News, James City County, and York County are included in this report.



Blackhawk building in Norfolk



2008 OFFICE

Table I MULTI-TENANT CLASS A, B, AND C

DOWNTOWN NORFOLK - By Class			CLASS A			CLASS B			CLASS C		
	NLA	% Vac.	AVG RENT	NLA	% VAC	AVG RENT	NLA	% VAC	AVG RENT		
Downtown Norfolk	1,690,129	5.83%	\$22.76	1,507,543	8.10%	\$17.91	96,552	0.00%	\$11.40		

SOUTHSIDE - By Class			CLASS A			CLASS B			CLASS C		
	NLA	% Vac.	AVG RENT	NLA	% VAC	AVG RENT	NLA	% VAC	AVG RENT		
Airport/Norhampton	176,000	1.45%	\$23.00	160,322	41.79%	\$15.11	22,020	0.00%	\$11.00		
Central Norfolk	N/A	N/A	N/A	877,352	21.17%	\$12.96	109,151	5.81%	\$11.84		
Chesapeake/Greenbrier	997,478	8.76%	\$18.98	2,036,812	13.33%	\$14.68	42,423	0.00%	\$11.50		
Corporate Landing	N/A	N/A	N/A	69,756	8.57%	\$15.93	N/A	N/A	N/A		
Hilltop/Oceanfront	132,677	4.47%	\$23.90	322,199	11.89%	\$15.51	10,360	0.00%	\$9.00		
Kempsville	122,000	9.56%	\$19.00	320,000	3.56%	\$13.05	N/A	N/A	N/A		
Little Neck	N/A	N/A	N/A	502,436	4.92%	\$14.03	28,280	0.00%	\$11.76		
Lynnhaven	865,599	11.02%	\$19.00	895,341	12.14%	\$13.78	N/A	N/A	N/A		
Military Circle	216,531	6.00%	\$19.83	200,868	11.23%	\$16.24	66,129	18.34%	\$10.85		
Newtown/Witchduck	1,089,399	6.33%	\$19.24	996,303	13.01%	\$14.80	18,000	0.00%	\$10.00		
Pembroke/ Central Business District	984,975	4.46%	\$24.78	1,204,065	6.68%	\$15.55	35,592	0.00%	\$10.33		
Portsmouth	88,327	22.74%	\$15.80	455,499	14.04%	\$14.90	20,340	0.00%	\$11.00		
Suffolk	408,365	0.00%	\$11.00	517,449	6.89%	\$16.65	N/A	N/A	N/A		

PENINSULA - By Class			CLASS A			CLASS B			CLASS C		
	NLA	% Vac.	AVG RENT	NLA	% VAC	AVG RENT	NLA	% VAC	AVG RENT		
Coliseum Central	211,664	12.02%	\$16.87	366,012	5.45%	\$10.64	N/A	N/A	N/A		
Downtown Hampton	158,855	10.43%	\$18.00	47,738	10.16%	\$11.05	12,132	0.00%	\$10.00		
Downtown Newport News	N/A	N/A	N/A	135,864	22.08%	\$14.00	N/A	N/A	N/A		
Hampton Roads Center	557,722	10.17%	\$18.40	503,268	12.37%	\$15.93	35,833	100.00%	\$9.81		
Newmarket	N/A	N/A	N/A	670,433	22.58%	\$15.66	150,000	0.00%	\$13.50		
Oyster Point	1,477,085	12.56%	\$19.23	1,135,111	6.79%	\$13.11	80,650	10.16%	\$14.13		
Suburban Newport News	N/A	N/A	N/A	236,276	11.53%	\$12.28	48,000	0.00%	\$7.43		
Williamsburg/James City/ York County	262,667	12.49%	\$19.77	355,221	5.16%	\$14.05	N/A	N/A	N/A		



Table II CLASS A & B ONLY

**DOWNTOWN NORFOLK -
Class A & B**

SUBMARKET	YE 2006			YE 2007		
	NLA	% VAC	AVG RENT	NLA	% VAC	AVG RENT
Downtown Norfolk	3,217,672	7.74%	\$18.57	3,197,672	6.90%	\$20.33

SOUTHSIDE - Class A & B

SUBMARKET	YE 2006			YE 2007		
	NLA	% VAC	AVG RENT	NLA	% VAC	AVG RENT
Airport/Northampton	298,287	12.91%	\$16.57	336,322	20.68%	\$19.24
Central Norfolk	875,352	15.86%	\$13.23	877,352	21.17%	\$12.96
Chesapeake/Greenbrier	2,931,412	10.54%	\$16.42	3,034,290	11.82%	\$16.83
Corporate Landing	69,756	0.00%	\$12.93	69,756	8.57%	\$15.93
Hilltop/Oceanfront	436,636	3.79%	\$18.79	454,876	9.72%	\$19.95
Kempsville	442,000	6.21%	\$15.82	442,000	5.22%	\$16.03
Little Neck	502,436	3.17%	\$13.96	502,436	4.92%	\$14.03
Lynnhaven	1,760,940	8.87%	\$16.15	1,760,940	12.14%	\$16.39
Military Circle	270,868	2.13%	\$16.48	417,399	13.92%	\$16.63
Newtown/Witchduck	2,092,452	7.20%	\$16.87	2,085,702	9.52%	\$17.12
Pembroke/ Central Business District	2,288,040	3.94%	\$19.83	2,189,040	5.68%	\$19.70
Portsmouth	467,926	15.75%	\$15.35	543,926	15.45%	\$15.35
Suffolk	817,054	5.54%	\$13.87	925,814	3.90%	\$13.82

PENINSULA - Class A & B

SUBMARKET	YE 2006			YE 2007		
	NLA	% VAC	AVG RENT	NLA	% VAC	AVG RENT
Coliseum Central	515,676	9.96%	\$13.44	577,676	7.85%	\$12.93
Downtown Hampton	206,593	9.47%	\$14.02	206,593	10.37%	\$16.40
Downtown Newport News	153,442	29.56%	\$14.00	135,864	22.08%	\$14.00
Hampton Roads Center	1,041,990	6.96%	\$16.62	1,060,990	7.05%	\$17.23
Newmarket	670,433	22.58%	\$15.78	670,433	22.58%	\$15.66
Oyster Point	2,578,584	4.83%	\$15.58	2,612,196	5.79%	\$16.68
Suburban Newport News	236,276	13.06%	\$11.70	236,276	11.53%	\$12.28
Williamsburg/James City/ York County	533,221	3.16%	\$16.01	617,888	8.28%	\$16.48



2008 OFFICE

DOWNTOWN NORFOLK MARKET

Continued stability remained Downtown Norfolk's trademark even though the numerical results were less than spectacular. The secret to Downtown's success is that companies rarely leave once becoming accustomed to the pedestrian environment with amenities galore. This retention rate has led building owners to reinvest in their assets, renewing finishes and infrastructure with the promise of higher rents as vacancies remained low.

While the proposed mixed-use Wachovia Center is still more than two and a half years from delivering, its planned 22-story office tower is already having its effect. With proposed rental rates above \$30 per square foot (p.s.f), the new building will set a new high water mark for rents in the region and existing Downtown buildings are increasing rates to reflect this new found "headroom." For example, existing class "A" buildings 150 West Main, Dominion Tower and World Trade Center all increased asking rates significantly in 2007, while class "B" buildings also increased rates.

Net absorption Downtown was flat in 2007, however leasing activity increased during the second half of the year. We are forecasting conditions to remain stable in 2008 with vacancy dropping further into the single digits.

DOWNTOWN NORFOLK MARKET OVERVIEW

	NET LEASABLE AREA (SQ. FT.)	% OF DOWNTOWN NORFOLK INVENTORY
Class A Multi-Tenant	1,690,129	40.6%
Class B Multi-Tenant	1,507,543	36.2%
Class C Multi-Tenant	96,552	2.3%
Subtotal Multi-Tenant	3,294,224	79.1%
Owner Occupied	869,950	20.9%
Total	4,164,174	100.0%

The reported overall vacancy rate and average rents for the Downtown Norfolk by building class are as follows:

	YE 2006*		YE 2007*	
	AVG. RENT	% VACANT	AVG. RENT	% VACANT
Class A	\$21.42	7.12%	\$22.76	5.83%
Class B	\$16.55	8.36%	\$17.91	8.10%
Class C	\$11.78	5.18%	\$11.40	0.00%
Total	\$18.33	7.63%	\$17.34	6.70%
A & B Only	\$18.57	7.70%	\$20.33	6.60%

* weighted averages

SOUTHSIDE SUBURBAN MARKET

Suburban vacancy increased in 2007 for the second consecutive year to just above 10% as new construction deliveries out-paced market demand. The few speculative projects delivering in 2007 captured the modest demand and achieved stabilized occupancy. Most noteworthy among these was the Convergence Center III (99,000 s.f.) in the Pembroke/CBD sub-market which reached 90% occupancy upon opening in the 4th quarter.

Among other significant new deliveries were the MAST One Building (60,000 s.f.) in the Tri-Cities area, the Gallery II (30,000 s.f.) in the Newtown/Witchduck submarket and the Circle South Building (32,000 s.f.) at Military Circle. Fortunately, 2008 promises to be a more robust year in terms of new construction with a number of class "A" projects already in motion during the first quarter.

While 2007 was a modest year in terms of net absorption, most of the growth was attributable to the Southside Suburban locations. As in recent years, however, activity was not evenly spread as gains in certain submarkets were offset by losses in others. Chesapeake/Greenbrier remained a steady performing area buoyed by the largest lease transaction of the year as American Funds (50,000 s.f. expansion) continued to grow in the Liberty Executive Park.

SOUTHSIDE MARKET OVERVIEW

	NET LEASABLE AREA (SQ. FT.)	% OF SOUTHSIDE INVENTORY
Class A Multi-Tenant	5,081,351	32.7%
Class B Multi-Tenant	8,558,402	55.1%
Class C Multi-Tenant	352,295	2.3%
Subtotal Multi-Tenant	13,992,048	90.1%
Owner Occupied	1,533,325	9.9%
Total	15,525,373	100.0%

The reported overall vacancy rate and average rents for the Southside by building class are as follows:

	YE 2006*		YE 2007*	
	AVG. RENT	% VACANT	AVG. RENT	% VACANT
Class A	\$19.16	4.90%	\$19.77	7.48%
Class B	\$14.49	10.12%	\$14.66	13.02%
Class C	\$11.14	4.10%	\$11.14	2.68%
Total	\$16.08	8.07%	\$15.20	7.73%
A & B Only	\$16.22	8.18%	\$16.79	10.25%

* weighted averages



2008 OFFICE

PENINSULA SUBMARKETS

The total office inventory on the Virginia Peninsula for Class A & B multi-tenant space is approximately 6 million s.f. with a 2007 overall vacancy rate of 12% compared to 8.4% at the end of 2006. Oyster Point and Hampton Roads Center continue to be the primary submarkets on the Peninsula accounting for 78% of all Class A space and 49% of all Class B space. Oyster Point remains the largest submarket on the Peninsula containing 2,612,196 s.f. of Class A & B office space. The second largest submarket is Hampton Roads Center, which contains 1,060,990 s.f. of Class A & B office space. Combined, these two submarkets possess 3,673,186 s.f. or 61% of the total office inventory for Classes A and B. The balance of 2,439,642 s.f. is divided among seven other submarkets stretching from Downtown Hampton to Williamsburg/James City County.



Oyster Point saw the Class A vacancy rate increase dramatically from 3.08% at the end of 2006 to 12.6% at the end of 2007 on a base of 1,477,085 s.f.. The major factor affecting Oyster Point was the re-delivery of the Symantec Building containing 100,000 s.f. Class A space in Oyster Point had negative absorption of 28,980 s.f. Class B space had positive absorption of 2,417 s.f. during 2007. The most notable office activity in Oyster Point in 2007 was the delivery of Two City Center, a 76,320 feet of office/retail facility. The facility contains 12,720 s.f. of retail space on the first floor and 63,600 s.f. of office on floors two through five. The office component is 36% leased at rents in the \$22.50 p.s.f. range with a tenant improvement allowance of \$27.00 p.s.f. below a finished ceiling. Lastly, the Turner Building containing 19,000 s.f. was delivered in 2007 and is 65% leased at rates in the \$18.00 per rentable s.f. range.

Class A space in Hampton Roads Center had negative absorption of 7,450 s.f. on a base of 538,722 s.f.. Vacancy rates for Class A space increased from 8.7 in 2006 to 10.2% in 2006. Vacancy rates for Class B space jumped from 5% in 2006 to 12.4% in 2007 on a base of 503,268 s.f. The majority of the increase in vacancy is attributable to the Raytheon Building placing 15,000 s.f. of space on the market, Hampton II had an increase in vacancy of 9,000 s.f. and Hampton Technology Center has 7,260 s.f. available. The only new construction in Hampton Roads Center is the development of the Proton Therapy Institute containing 96,000 s.f. and scheduled for delivery at the end of 2009.

In 2008, rental rates will decrease in Oyster Point due to an abundance of available space. Tenant improvement packages will increase since market conditions have loosened. Hampton Roads Center will see rental rates decrease and tenant improvement packages increase due to additional office space being available in the market.

PENINSULA MARKET OVERVIEW

	NET LEASABLE AREA (SQ. FT.)	% OF PENINSULA INVENTORY
Class A Multi-Tenant	2,667,993	38.8%
Class B Multi-Tenant	3,449,923	50.2%
Class C Multi-Tenant	326,615	4.7%
Subtotal Multi-Tenant	6,444,531	93.7%
Owner Occupied	432,800	6.3%
Total	6,877,331	100%

The reported overall vacancy rate and average rents for the Peninsula by building class are as follows:

	YE 2006*		YE 2007*	
	AVG. RENT	% VACANT	AVG. RENT	% VACANT
Class A	\$18.26	5.40%	\$18.85	11.53%
Class B	\$13.43	7.17%	\$13.80	12.02%
Class C	\$11.22	10.97%	\$12.23	22.03%
Total	\$15.24	6.64%	\$15.81	12.32%
A & B Only	\$15.46	6.40%	\$16.05	11.94%

* weighted averages

ABSORPTION 2007

SUBMARKET	# SF LEASABLE SPACE YE 2006	# SF LEASABLE SPACE YE 2007	SF CHANGE	VACANT SPACE YE 2006	VACANT SPACE YE 2007	VAC CHANGE	ABSORPTION YE 07
Downtown Norfolk	3,314,224	3,294,224	20,000	252,991	220,598	32,393	12,393
Airport/Northampton	320,307	358,342	(38,035)	33,311	69,546	(36,235)	1,800
Central Norfolk	984,503	986,503	(2,000)	143,033	192,035	(49,002)	(47,002)
Chesapeake/Greenbrier	2,973,835	3,076,713	(102,878)	308,978	358,753	(49,775)	53,103
Hilltop/Oceanfront	446,996	465,236	(18,240)	20,039	44,231	(24,192)	(5,952)
Corporate Landing	69,756	69,756	0	0	5,978	(5,978)	(5,978)
Kempsville	442,000	442,000	0	29,220	23,060	6,160	6,160
Lynnhaven	1,760,940	1,760,940	0	156,229	213,826	(57,597)	(57,597)
Little Neck	530,716	530,716	0	15,939	24,731	(8,792)	(8,792)
Military Circle	336,997	483,528	(146,531)	29,065	46,808	(17,743)	128,788
Newtown/Witchduck	2,110,452	2,103,702	6,750	266,309	328,235	(61,926)	(68,676)
Pembroke/Central Business District	2,224,632	2,224,632	0	86,340	124,424	(38,084)	(38,084)
Portsmouth	488,266	564,266	(76,000)	64,924	84,041	(19,117)	56,883
Suffolk	817,054	858,314	(41,260)	52,800	35,661	17,139	58,399
Downtown Hampton	218,725	218,725	0	22,565	21,415	1,150	1,150
Downtown Newport News	153,442	135,864	17,578	45,353	30,000	15,353	(2,225)
Hampton Roads Center	1,077,823	1,096,823	(19,000)	110,609	154,798	(44,189)	(25,189)
Coliseum Central	515,676	577,676	(62,000)	52,921	45,376	7,545	69,545
Newmarket	820,433	820,433	0	151,400	151,400	0	-
Oyster Point	2,659,234	2,692,846	(33,612)	157,323	270,862	(113,539)	(79,927)
Suburban Newport News	284,276	284,276	0	30,850	27,243	3,607	3,607
Williamsburg/James City/ York County	533,221	617,888	(84,667)	16,834	51,166	(34,332)	50,335
Total	23,083,508	23,663,403		2,047,033	2,524,187	(477,154)	102,741





OFFICE SUBMARKETS

Southside

- 1** Airport/Norhampton
- 2** Chesapeake/Greenbrier
- 3** Downtown Norfolk
- 4** Central Norfolk
- 5** Hilltop/Oceanfront
- 6** Corporate Landing
- 7** Kempsville
- 8** Little Neck
- 9** Lynnhaven
- 10** Military Circle
- 11** Newtown/Witchduck
- 12** N. Suffolk
- 13** Pembroke
- 14** Portsmouth

Peninsula

- 15** Downtown Hampton
- 16** Hampton Roads Center
- 17** Coliseum Central
- 18** Downtown Newport News
- 19** Newmarket
- 20** Oyster Point
- 21** Suburban Newport News
- 22** Williamsburg/James City Co./
York County



2008 OFFICE

The following is a list of the properties included in this year's survey.

DOWNTOWN NORFOLK

CLASS A

150 West Main Street	.226,183
Crown Center	.62,000
Dominion Tower	.403,276
Main Street Tower	.200,000
Norfolk Southern Tower	.301,463
Town Point Center	.130,266
World Trade Center	.366,941

CLASS B

101 Granby Street	.22,000
201 Granby Mall Building	.76,071
345 W. Freemason	.11,000
500 E. Main St. (Former SunTrust)	.230,000
500 Plume Street	.60,000
Anders Williams Building	.14,000
Bank of America	.339,892
City Centre	.54,138
Duke Grace Building	.26,417
Ghent-Olney Building	.24,000
Lonsdale Building	.18,000
Monticello Arcade	.44,500
Monticello Office Building	.70,000
Plume Center West	.82,375
RBC Centura Tower	.111,600
Seaboard Center	.30,000
St. Paul Building	.47,308
Tazewell Building	.38,000
The Helena Building	.20,100
Towne Bank Building (109 E. Main St.)	.52,698
Wainwright Building	.83,151
York Street Center	.52,293

CLASS C

220 West Freemason Street	.10,775
255 Granby Street	.30,000
700 Boush Street	.16,825
700 Monticello Avenue	.22,760
Norfolk Community Services	.16,192

OWNER OCCUPIED

AAA Headquarters	.10,000
AT&T	.200,000
Atlantic Building	.14,000
Decker Building	.10,000
Dominion Enterprises	.220,000
Landmark Communications	.66,500
Norfolk Telcom Center	.60,000
Peta25,000	
Standard Forms	.30,000
Two Commercial Place	.234,450

AIRPORT/ NORTHAMPTON

CLASS A

Twin Oaks I	.88,000
Twin Oaks II	.88,000
Circle South	.48,000

CLASS B

Airport Executive Center	.70,609
HRSA-ILA Bldg (Longshoremen's)	.21,678
Northampton Executive Center	.68,035

CLASS C

Electrical Workers Corporation Office	.22,020
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OWNER OCCUPIED

CMA/CGM (USA)	.90,000
USAA Building	.325,000
Zim-American Israeli Shipping	.30,000

CENTRAL NORFOLK

CLASS B

5360 Robin Hood Road	.42,000
Almeda Business Center (flex)	.84,000
Commerce Park Place(flex)	.58,783

Gateway II(flex)	.45,000
Lafayette Executive Center	.18,641
Lawson Building	.20,022
Norfolk Business Center (flex)	.89,000
Norfolk Business Center II (flex)	.126,926
Norfolk Commerce Center I(flex)	.73,000
Norfolk Commerce Center III(flex)	.168,000
Norfolk Commerce Center IV(flex)	.79,980
Norfolk Commerce Center V(flex)	.72,000

CLASS C

4100 Building	.20,614
Atlas Building	.30,476
Blair Building	.15,000
Southern Office Building	.11,061
Time Building	.32,000

OWNER OCCUPIED

American Funds Building	.107,000
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CHESAPEAKE/ GREENBRIER

CLASS A

1403 Greenbrier Parkway (Gateway Bank)	.75,000
1434 Crossways Blvd	.111,000
BECO Corp HQ (609 Independence)	.22,400
CHKD Health Center (Volvo Park VI)	.25,000
Chubb Building	.97,500
Crossways Center	.52,702
Dendrite One	.50,000
Dendrite Two	.50,000
Greenbrier Tower I	.87,900
Greenbrier Tower II	.86,976
HR Realtors Association Bldg (638 Independence)	.40,000
Lake Center I	.60,000
Lake Center II	.64,000
Liberty One	.50,000

Liberty Three	75,000
Liberty Two	50,000

CLASS B

1580 Crossways Blvd	10,800
737 Volvo Parkway	36,000
Atlantic Business Center	60,000
Battlefield Corporate Center	98,000
Battlefield Lakes Tech Center I	38,500
Battlefield Lakes Tech Center II	29,000
Battlefield Lakes Tech Center III	18,000
Battlefield Technology Center	51,578
Battlefield Technology Center I	97,000
Battlefield Technology Center II (MCI)	81,478
Branch Executive Quarter-Hamilton	11,600
Branch Executive Quarter-Jefferson	23,838
Branch Executive Quarter-Madison	16,788
Chelsea Commons WCMB	12,400

Crossways Commerce Center I

(Office Annex) 45,000

Crossways Commerce Center II	145,300
Crossways I	137,007
Crossways II (flex)	84,751
Crossways III	61,992
Eden North Center	18,700
Greenbrier Business Center	50,000
Greenbrier Business Centre (flex)	91,561
Greenbrier Circle Corporate Center	233,138
Greenbrier I & II	58,276
Greenbrier Square	26,250
Greenbrier Tech Center One (flex)	95,414
Greenbrier Tech Center Two (Flex)	82,340
Heritage Bank Building	12,654
Independence Technology Center I	98,000
Knells Ridge Plaza	15,500
Knells Ridge Square	30,000
Old Greenbrier Village	34,015
Riverwalk Professional Bldg	10,000
Rose and Womble Business Center	13,432
SunTrust Bank Building	33,500
Volvo Park (Progressive Drive)	52,000

Volvo VII	13,000
Woodbrier Terrace	10,000

CLASS C

2125 Smith Avenue	42,423
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OWNER OCCUPIED

Cox Communications	150,000
First Data	42,557
Household Finance	60,000
Panasonic Call Center	55,000
Towers Perrin	104,000
Volvo Penta	25,000

HILLTOP/OCEANFRONT

CLASS A

Pavilion Center (Towne Bank)	85,177
Potter Professional Center	27,500
William E. Wood Building	20,000

CLASS B

1092 Laskin Road	18,240
1206 Laskin Road Executive Center	33,000
Beach Tower	23,000
Birdneck Office Park	10,182
Birdneck Square	17,285
Colonial Mill Professional Center	23,555
Damalas Centre	16,900
First Colonial Office Park	18,000
General Booth Professional Center	11,000
Gibson Pavilion	30,000
Great Neck Professional Bldg.	20,000
Heritage Commons	11,000
Hilltop West Executive Center	23,000
Mill Dam Crossing	22,037
Rudd Building	13,000
Sandpiper Key Associates Bldg.	32,000

CLASS C

Oceana East	10,360
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CORPORATE LANDING

CLASS B

Princess Anne Executive Park	59,756
Verizon Building	10,000

OWNER OCCUPIED

Al-Anon	30,000
Approved Financial	30,000
GEICO	250,000

KEMPSVILLE

CLASS A

Chadwick Building	80,000
Grayson Building	42,000

CLASS B

1201 Lake James Office	12,000
3386 Holland Road	20,000
5301 Providence Road (Providence South)	12,000
Arrowhead Office Court	10,000
Atrium of College Park Square	36,379
Central Park I (552 Central Dr)	18,000
Central Park II (544 Central)	43,000
College Park Square III	30,150
Courtyard at Providence	17,879
Fairfield Square	12,933
Holland South	14,843
Holland/Taft Professional Center	11,850
Kempsville Office Park	30,722
Oxford Square	13,544
Woolpert Building	36,700

LYNNHAVEN

CLASS A

AMSEC Park West	66,180
Lynnhaven Commons (office bldg)	26,000
Lynnhaven Commons Complex	25,000
Lynnwood Plaza	87,157



2008 OFFICE

Marsh Landing	62,117
Oceana Center One	39,928
Oceana Place	75,369
Pinehurst Centre	103,000
Reflections I	62,924
Reflections II	73,676
Reflections III	67,000
Reflections IV	80,000
Viking Building	18,900
Windwood Center	78,348

CLASS B

2700 Internation Parkway	53,000
596 Lynnhaven Pkwy.	31,910
Advanced Technology Building	32,000
Basgier Bldg. I	18,200
Basgier Bldg. II	20,000
Bennett Office Building (120 S. Lynnhaven)	10,522
Commercial Place	36,400
Gateway Bank Building (641 Lynnhaven)	18,000
Lynnhaven Corporate Center I	36,046
Lynnhaven Corporate Center II	40,300
Lynnhaven Executive Center	18,000
Lynnhaven Five	24,549
Lynnhaven North	10,000
Lynnhaven Professional Center	12,000
Lynnhaven Station	26,226
Parkway Center 3 and 4	64,567
Parkway Center I & II	32,112
Parkway III (Unisys)	50,428
Parkway West (flex)	41,563
RBM Building	14,170
Sabre Street I	68,000
Sabre Street II	60,000
Sabre Street III	40,000
Sabre Street IV	40,000
South Lynnhaven Business Park	40,000
U.S. Commerce Center (Tidewater Tech)	26,819
Yorktown Commerce Center (228 N. Lynnhaven)	30,529

OWNER OCCUPIED

Cenit Bank Bldg	40,000
Eastern	32,000
Global Technical Systems	46,000
Hall Automotive	29,865
SAIC	60,000

LITTLE NECK

CLASS B

101 North Lynnhaven (Lynnhaven Station)	28,000
3300 Building (Virginia Beach Blvd.)	11,000
King's Grant Office Building	13,000
Little Neck Office Park (3300 Bldg)	33,000
Little Neck Office Park (3300 South)	50,000
Little Neck Office Park (3400 Bldg)	22,000
Little Neck Towers	48,860
NEXCOM Building	75,000
NEXCOM Expansion	18,000
Plaza Trail Office Building	15,975
Rose Hall Commons	12,266
Rose Hall Professional Center	20,000
Rosemont Interstate Center I	41,400
Rosemont Interstate Center II	51,835
Rosemont Interstate Center III*	38,000
Sun Building	11,600
Transouth Building (3615 VB Blvd)	12,500

CLASS C

Birchwood Office Park	11,688
Byler Building	16,592

OWNER OCCUPIED

TAF Group	24,000
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MILITARY CIRCLE

CLASS A

Portfolio Recovery Bldg (140 Corporate Blvd)	25,002
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Riverside Commerce Center (120 Corporate Blvd.)	70,000
Riverside Corporate Center	86,682
Riverside Crossing (130 Corporate Blvd)	34,847

CLASS B

Centura Bank Building	40,442
Circle East	41,047
College Park Executive Center	20,000
I.T.T. Building	49,379
FBI Building	50,000

CLASS C

Executive Office - Janaf	28,800
Janaf Office Building	37,329

OWNER OCCUPIED

Sentara	45,000
Union Mission (former VA Natural Gas)	75,403

NEWTOWN/WITCHDUCK

CLASS A

AAA Headquarters	47,045
Amelia Building	64,660
Amerigroup Building I	106,000
Amerigroup Building II	106,000
BB&T Building	30,000
Expressway Corporate Center	85,658
Gallery I	30,000
Greenwich Center	56,000
Greenwich Commons	55,000
Greenwich Station	29,000
Halifax Building	71,100
Mass Mutual Building	45,500
Smithfield Building	145,000
Verizon Center	135,000
Westmoreland Building	83,436

CLASS B

144 Business Park Drive	17,000
168 Business Park Drive	19,300

184 Business Park Drive	27,784
209 Business Park Drive	11,250
232 Business Park Drive	14,000
396 Witchduck Road	12,000
6330 Newtown Road	55,181
American Teleservices Building	12,232
Azalea Village	20,000
BGF Building	24,000
BPC Building	29,074
Colonial Corporate Center	41,772
Commerce Centre (200-259 Expressway Ct)	35,500
Commonwealth Building	10,000
Executive Cove	61,000
Interstate Corporate Center	430,000
Parliament Drive Professional Bldg	10,000
TRC Center I	62,000
TRC Center II	36,884
TRC Center III	52,000
Witchduck Crossing	15,326

CLASS C

Witchduck Office Court	18,000
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OWNER OCCUPIED

Copy Data (Ikon)	20,000
Cox Cable Building	45,000
Cox Expansion	25,000
Lendman	10,000
Newtown Square	78,000

**PEMBROKE/
CENTRAL BUSINESS
DISTRICT**

CLASS A

249 Central Park Avenue	59,000
Convergence Center	85,000
Convergence Center II	85,000
Five Columbus Center	20,000
One Columbus Center	134,000
Pembroke Commercial Bldg. (4425 Corporation Lane)	70,760

Resource Bank Plaza	90,315
Six Columbus Center	36,000
Southport Center	65,000
Ticketmaster	30,000
Town Center (222 Central Park)	256,900
Town Center North Tower	53,000

CLASS B

VST Building	25,000
4224 Holland Road	10,104
4701 Columbus	32,000
4705 Columbus St	33,000
4801 Columbus St	40,000
Corporate Center I	51,000
Corporate Center II	52,475
Corporate Center III	51,000
Corporate Center IV	76,012
Dragas Office Park	30,896
Haygood Executive Park	36,472
Holland Commerce Center	30,000
Holland Office Park	32,000
Holland Plaza Office Building	14,513
Independence Business Center	62,000
Independence Technology Center -	

Technocenter I	50,000
Independent Plaza	36,655
Larkspur Village	16,184
Old Donation Executive Park	20,347
Pembroke Office Park	294,000
Pocahontas Center	17,800
Prism Plaza	32,000
Southgate Centre	43,200
Southport Business Center(flex) (Baskin Bldg)	20,683
Southport Trade Center(flex)	30,883
Thalia One	18,408
Thalia Professional Center	15,000
The Meadows	32,433

CLASS C

Beacon Building (VA Pilot)	13,200
Haygood Buildings	22,392

OWNER OCCUPIED

Alantec Financial Fed Credit Union	12,000
AVIS	168,000
Coastal Training Technologies	60,000
Commonwealth College	30,000
Electronic Systems Building	10,000
ISC 40,000	
QED Building	30,000
REIN Building	24,500

PORTSMOUTH

CLASS A

BB&T Building (500 Crawford)	35,327
Harbourfront Corporate Center (801 Water St)	53,000

CLASS B

307 County Street	13,475
355 Crawford Street Building	79,367
600 Crawford Street	16,171
Boyette Professional Center	13,000
Bristol Square	10,800
JJH Building	17,563
New Kirm Building	44,000
Port Trade Center	14,223
PortCentre I (flex)	100,000
The Seaboard Building	65,000
Towne Bank Building (200 High St)	34,000
Wachovia Bank	48,000

CLASS C

Crawford Executive Center	20,340
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SUFFOLK

CLASS A

JTASC Building	408,365
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CLASS B

Bridgeway Technology Center I	125,000
Bridgeway Technology Center II	67,500



2008 OFFICE

Bridgeway Technology Center III	72,384
Brinkley Building	20,500
Brinkley Building II	21,000
Harbor View Professional Center	
(1033 & 1035)	23,000
Harbour Breeze Professional Center	52,265
Lake View Technology GSA Center	110,000
Main Street Center	13,800
Washington Street Center	12,000

OWNER OCCUPIED

Lockheed Martin	50,000
Overton Building	12,940
Rose & Womble Building	15,000
Towne Bank Center	50,000

DOWNTOWN HAMPTON

CLASS A

Harbour Centre	158,855
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CLASS B

10-16 W. Queens Way	11,238
47 W. Queens Way	12,500
Mill Point Center	10,000
One Mallory Street	14,000

CLASS C

55 W. Queens Way	12,132
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DOWNTOWN NEWPORT NEWS

CLASS B

2600 Building	118,018
Wachovia Bank Building	17,846

OWNER OCCUPIED

Newport News Shipbuilding,	
Bldg 520-521	50,000

HAMPTON ROADS CENTER

CLASS A

1001 N Campus Parkway	19,000
6 Manhattan Square	30,106
Allstate Building	17,000
HealthNet Building	60,482
Lakefront Plaza I	77,442
Morgan Marrow Building	12,000
Olympia Place	72,395
Oxford Plaza	64,297
Parkway Executive Center	45,000
Research Quad - Building One	60,000
Research Quad - Building Three	100,000

CLASS B

400 Butler Farm Road	96,446
404 Butler Farm Road	54,715
Hampton I	68,532
Hampton II	67,000
Hampton III	45,000
Hampton Technology Center I	56,575
NDS Building	35,000
Raytheon	50,000
Research Office Building	30,000

CLASS C

3217 Armistead Avenue	24,043
NASA Langley Research Center	11,790

COLISEUM CENTRAL

CLASS A

Executive Tower	134,164
Pinewood Plaza	77,500

CLASS B

2115 Executive Drive	62,000
2310 Tower Place	10,500
Bank of America Building	14,434
Colony Square of Hampton	30,050
Riverdale Complex	168,000

Sheraton Office Bldg.	12,673
Todds Lane Professional Center	12,500
West Telemarketing	55,855

OWNER OCCUPIED

Langley Federal Credit Union	72,800
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NEWMARKET

CLASS B

NetCenter	546,171
Newmarket Building	21,262
UPS Call Center	103,000

CLASS C

Rouse Tower	150,000
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OWNER OCCUPIED

NN Shipbuilding Employee Credit Union	15,000
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OYSTER POINT

CLASS A

601 Thimble Shoals Boulevard	30,000
Atrium At Oyster Point	62,971
Cedar One	15,467
Contemporary Cybernetics	60,000
Ferguson Corporate Center II	150,000
Fountain Plaza One	100,000
Fountain Plaza Three	80,000
Fountain Plaza Two	80,000
Langley Federal Centre	51,982
Merchants Walk	28,000
One City Center	70,000
One Oyster Point	36,226
Oyster Point Interstate Center	64,000
Patrick Henry Corporate Center	98,883
Peninsula Professional Building	30,800
Rock Landing Corporate Center II	33,476
SunTrust Building	100,955

Symantec Corp. Building	100,000
Tower Park (733 & 735 Thimble Shoals)	31,667
TowneBank Center	60,000
Turner Bldg (1060 Loftis)	21,000
Two City Center	63,600
Two Oyster Point	39,137
Wachovia Building	42,921
William E Wood Building (1030 Loftis)	26,000

CLASS B

11790 Jefferson Avenue	20,662
745 Bluecrab (flex)	16,000
BB&T Plaza (603 Pilot House)	37,348
Cale Colony 17	17,000
Canon Place	26,000
Comb-Bay Park	32,000
Dunwoody Place	19,798
Executive Center	95,399
Fishing Point Complex(flex)	50,000
International Distribution Center	36,000
McCale Professional Park	40,000
Middle Ground Business Center	62,000
Oyster Point Business Center	25,000
Oyster Point Center	44,000
Oyster Point Place (flex)	38,000
Oyster Point West	176,560
Park Central Executive Center	54,425
Park Place (751 & 753 Thimble Shoals)	25,000
Peninsula Business Center I (flex)	21,817
Peninsula Business Centre II (flex)	40,475
Peninsula Business Centre III (flex)	60,000
Rock Landing Corporate Center IV	18,125
Rock Landing Corporate Center V	18,125
Technology Center (flex)	81,000
Thimble Shoals Business Center (flex)	55,377
Thimble Shores Lakefront	25,000

CLASS C

714-716-718 J.Clyde Morris Blvd.	15,000
Drucker & Falk Building	30,000
Pilgrim Landing	10,650
Regent Park	25,000

OWNER OCCUPIED

Applied Research Center	121,000
Fountain Plaza Two	80,000
Muller Martini Building	24,000
Peninsula Retail Credit	30,000

**SUBURBAN
NEWPORT NEWS**

CLASS B

Bay Savings Bank Building	18,000
Colony Square of Denbigh II	26,100
Denbigh Professional Park	40,598
Ferguson Enterprises	75,800
MCI Building	60,000
Tidewater Tech (616 Denbigh Blvd)	15,778

CLASS C

Mariner Building	26,000
Teagle Building	22,000

OWNER OCCUPIED

CNU Building	40,000
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**WILLIAMSBURG/
JAMES CITY/
YORK COUNTY**

CLASS A

263 McLaws Circle	26,967
Atrium Building	24,000
Casey New Town - SunTrust	60,000
Courthouse Green Office Park II	10,000
Design Center (4350 New Town Ave)	13,700
First Union Center	32,000
Langley Federal Credit Union	20,000
Patriot Park Business Center	24,000
William E. Wood Building	20,000
Williamsburg Commerce Center	32,000

CLASS B

104 Bypass Road	11,100
7601 George Washington Memorial Highway	10,000
Chartertowne Professional Center	12,800
Greens Springs Office Park	37,000
Kristinsand Office Park	15,221
Packets Executive Center	23,000
Quarterland Commons Office Condos	120,000
Rivergate Center	36,000
Wachovia Bank	10,500
Williamsburg Office Park	79,600

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BOLD indicates change/addition from last year

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2008 HAMPTON ROADS REAL ESTATE MARKET REVIEW

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2008 RESIDENTIAL



General Overview

The Hampton Roads Residential Market statistics covered in this report analyze the new home building industry and the existing home sales activity for a twelve month period beginning with December 2006 through November 2007. Data from the prior twelve months is used for comparison. Included are the cities of Chesapeake, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg, and the counties of Isle of Wight, James City, Southampton, and York. New this year is Gloucester and the numbers have been recalculated to include Gloucester during the prior year. The new construction data contained in this report was gathered from the actual deeds recorded and from the building permits issued by each city or county. The existing home closings data was gathered from the Real Estate Information Network. National numbers were provided by the National Association of Realtors.

THE YEAR IN REVIEW

The Hampton Roads Housing Market during the year of 2007 was a year of challenge for some and opportunity for others. The recent housing boom that occurred between 2003 and 2005 was fueled by low interest rates and a tight supply of homes for sale. The fast sales pace of both new construction and existing homes fueled activity by an inordinate number of investors, speculators, first time home owners, and move up buyers. When the interest rates started to climb, the market began to slow. Corrections and adjustments that began in 2006 continued through the year of 2007. Residential building permits were down during the first quarter by 39.2%, and the second and third quarters were down by 5.0% and 11.0% when compared to the prior year. The twelve months ending in November 2007 show a final loss in permit activity of 31.0% with a total of 5,150 building permits issued. As a direct result of the housing downswing, builders have pulled back on production until sales improve rather than overextend for additional projects. The smaller losses in permit activity during the second and third quarters indicate that excess inventory is shrinking and the market in Hampton Roads is absorbing the majority of standing product.

Looking at closings for the year, the new construction market is down 16.0% with a total of 4,189 closings. The price points with the greatest number of sales for single-family detached homes were in a range from \$300K to \$499K. The highest number of attached new construction unit sales occurred in the price points that were less than \$300K. High-end single-family detached homes priced above \$500K continue to show

The price points with the greatest number of sales for single-family detached homes were in a range from \$300K to \$499K. The highest number of attached new construction unit sales occurred in the price points that were less than \$300K.

the biggest loss in closing activity. At the end of November the existing home market ended the twelve month period with a loss of 14.8%. A total of 19,006 resale homes closed for a drop of 3,309 closings. For six straight years the existing home market in Hampton Roads experienced significant increases year after year. Unable to sustain this growth as the market slowed, in 2006 the resale market began to correct. The number of closings for the past twelve months reflect a market very similar to the years of 2000 and 2001, when the market was not just stable, but thriving.

The majority, or 66% of all sales for existing single-family detached homes during the year fell in the price ranges below \$300K. Sales of attached existing homes were concentrated in the price points below \$200K with 91.0% of all sales.

Table I NEW CONSTRUCTION PERMIT AND CLOSING ACTIVITY

(December 2005 through November 2006 compared to December 2006 Through November 2007)

ALL PRODUCT TYPES	2006	2007	%	2006	2007	%
	PERMITS	PERMITS		DIFFERENCE	CLOSINGS	
Chesapeake	959	942	-20.1%	926	643	-30.6%
Gloucester	274	354	29.2%	102	110	7.8%
Hampton	351	237	-32.5%	181	134	-26.0%
Isle of Wight County	443	264	-40.4%	342	222	-35.1%
James City County	1,203	669	-44.4%	770	534	-30.6%
Newport News	323	301	-6.8%	177	208	17.5%
Norfolk	608	350	-42.4%	405	384	-5.2%
Portsmouth	208	223	7.2%	115	56	-51.3%
Southampton County	132	115	-12.9%	37	42	13.5%
Suffolk	742	627	-15.5%	610	457	-25.1%
Virginia Beach	1,815	942	-48.1%	1,028	1,127	9.6%
Williamsburg	17	27	58.8%	13	5	-61.5%
York County	387	275	-28.9%	280	267	-4.6%
TOTALS	7,462	5,150	-31.0%	4,986	4,189	-16.0%

Table II TOP 10 SUBDIVISIONS BY PERMITS THROUGH NOVEMBER

Virginia Beach	Ridgley Manor	145
James City County	Colonial Heritage	130
Suffolk	Remington Park	100
James City County	Fords Colony	76
James City County	Eagle Harbor	75
James City County	Windsormeade	74
Virginia Beach	Woodbridge Pointe	73
Newport News	Patrick Henry Place	64
James City County	Stonehouse	59
Virginia Beach	Studio 56	56



2008 RESIDENTIAL



2008 RESIDENTIAL

AVERAGE PRICES

The average price for a new construction single-family detached home in Hampton Roads is now \$437,315, down a slight 0.4% compared to the same twelve month time period last year. The area with the highest average price for a new construction single-family detached home is Virginia Beach with \$529,432. Condominium prices have increased 0.01%, from \$336,498 to \$336,688, and townhome units now carry an average price of \$388,737, down 10.6% from last year. The Hampton Roads combined average price for all types of new construction is \$388,737, a small decrease of 1.8%.

The Hampton Roads combined average price for all types of new construction is \$388,737, a small decrease of 1.8%.

More than 60% of all areas in Hampton Roads carry an average price greater than \$400,000 for single-family detached homes.

Existing home average prices show increases for all types of units. Single-family detached existing homes are now \$282,538, up 4.6%. Condominium units have an average price of \$219,785, up 0.01%, and townhomes units have an average price of \$185,546, up 4.4%.

The average closing price in Hampton Roads for all types of housing is \$260,545, up 4.4% from the same time last year.

THE NATIONAL HOUSING MARKET

Total existing home sales were up 0.4% from October 2007 with 5,000,000 for the month of November. However, this number is 20.0% below the 6,250,000 sales level reported in November 2006. The inventory of existing homes for sale in November stands at 10.3 months, down from 10.7 months in October 2007. From the peak in the market during 2006, housing prices nationwide have declined 3.4% through the 3rd quarter of 2007, according to the Shiller Real Housing Price Index. In November, the nationwide median price for an existing home was \$210,200.

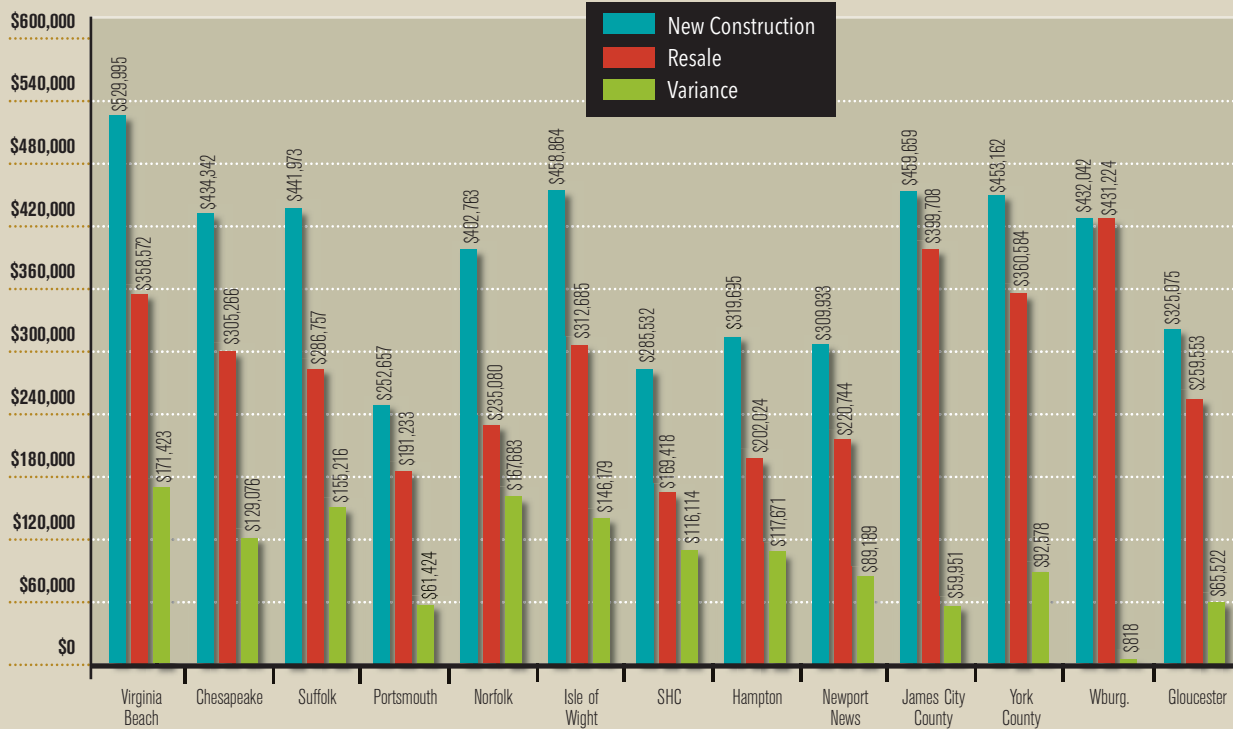
Nationally, new construction sales are off by 25% from year ago numbers and at the end of November, there was a 9.3 month supply. The median sales price for a new single-family detached home during the month of November was \$239,100, with a twelve month average of \$242,617. Single-family housing starts are down by 24.6% from November 2006 and nearly 50% from the record high at the beginning of last year.

Adding stress to the market, investors/speculators have been unloading new construction homes bought during the market boom, onto the existing homes market. Additionally, tight mortgage market conditions have increased home sale cancellations according to David Seiders, the chief economist for the National Association of Home Builders. In addition, the tight credit conditions in the home mortgage market are creating tightening conditions in the financial markets for land acquisition, land development and construction loans.



Chart I

2007 SINGLE FAMILY HOME AVERAGE CLOSING VALUES NC RS VARIENCE NEW CONSTRUCTION VERSUS EXISTING



INDIVIDUAL MARKET SEGMENTS

Single-Family Detached homes continued to dominate the new construction market with 70% of all permits issued. Off by 19.1% this year, only one area showed growth in the single-family detached market: Hampton increased by 6.5%. Closings were down 20.4% but there were some bright spots, namely Virginia Beach up 15.4%, Norfolk up 20.8%, and York County up 30.9%. While closings were off, the average price of a new single-family detached home remained nearly level at \$437,315, down a mere 0.4% from one year ago. Area builders have introduced smaller, less expensive product lines and there has been a marked decrease in the number of high end, custom homes.

Condominium units experienced a loss of 49.5% in permit activity. This sharp decline in numbers can be attributed to an unusually large number of permits issued during 2006 for projects such as The Westin, The Sanctuary at False Cape, and The Spectrum at Willoughby Spit. Closings for condominium units totaled 1,435, down from one year ago by 9.1%. However, the average price for a condominium increased 0.1% from the same time last year to \$336,688. Condominium closings command 34% of the new construction market and in the future, this number is expected to be even higher. With municipalities advocating the need for affordable housing paired with increasing land costs, the condominium market is an undeniable necessity to meet the demand.

Townhomes in the Hampton Roads area experienced activity almost identical to condominium units. Permits were down 45.9% with a total of 346 issued. Closings declined 9.5% with 342. The average closing price for a townhome unit decreased from last year by 10.6%. The average price is now \$264,525.



2008 RESIDENTIAL

THE TOTAL MARKET

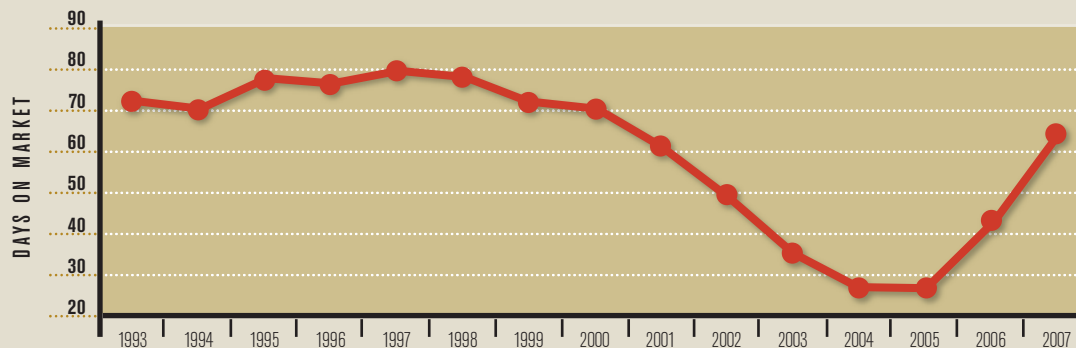
Hampton Roads ended the twelve month period of December 2006 through November 2007 with a total of 23,195 closings for both new construction and existing homes. This number represents a loss in market activity of 15.0% compared to year ago numbers. The average combined price for a home in the area has increased to \$288,692, a gain of 4.6%.

2008

It has been said many times recently that all housing markets are local. What this means is that conditions within each market determine the strength or weakness of that market and the buying and selling of homes is dependent on several factors. Job growth, the supply of homes, mortgage interest rates, and the quantity of available mortgage products are all key segments. When some or all of these factors are favorable, demand is created. Hampton Roads is unique in many ways. The economic picture is significantly influenced by the presence of the military and the various Department of Defense contractors. A second area of employment and economic strength is centered on the shipyards and the various shipping ports found in Norfolk, Portsmouth, and Newport News. Ranked number seven in the nation for tonnage, the Hampton Roads ports have advanced the local economy and created auxiliary enterprises in the areas of trucking, warehousing, distribution, and storage.

Because of the unique, fairly stable economic base found in this area, Hampton Roads is usually sheltered from the many fluctuations of the National economy. The housing market in this area is also relatively quite stable. Without the draw of a sizeable amount of heavy industry in the area, growth in the housing market is largely the result of military movements, the national defense budget, job growth, and the normal cycles of life.

Graph II AVERAGE MARKET TIME FOR EXISTING HOMES
1993 TO 2007





For the past 15 years the new construction market in Hampton Roads has closed around 5,000 new homes per year. Even during the recent boom the number of closed transactions for new construction in this area increased from the norm by less than 1,400 closings, a relatively small amount compared to growth in other sectors of the country. Areas in California, Nevada, Arizona, and Florida led the nation in sales and pricing. Over the course of two or three years they grew too fast and experienced price increases that could not be supported. Now they are leading in foreclosures. Hampton Roads was far behind when compared to these super hot markets. As a result, this area has contracted very little. The average price of a new home has decreased less than 2% over the past year and the average price for an existing home has actually increased by over 4.0%.

Foreclosure problems from subprime mortgage instruments have created major difficulties nationwide during the past year. There may be more to come this year, but fortunately the majority of home loans do not fall into the subprime category. This year will almost certainly see another reduction in the mortgage interest rates. This can only help the industry.

The housing market may continue to go through a period of stabilization during the first half of the year. Building permits should begin to increase during the second half as the final stock of inventory is absorbed. As activity improves in the new construction market, sales will pick up for existing homes as well. The good thing about the market at this time is that it is certainly a buyers' market. Builders are offering incentives in the form of upgrades, closing cost assistance, and free options that make buying a home now very attractive.

Table III VIRGINIA BEACH TOP 5 SUBDIVISIONS RANKED BY CLOSINGS

Community	No. Closed	Average Price
1. Ridgely Manor	235	\$294,424
2. Lexington	96	\$342,692
3. The Orchard at Glenwood	82	\$397,556
4. Woodbridge Pointe	74	\$406,152
5. Sanctuary at False Cape	57	\$792,006

Table IV CHESAPEAKE TOP 5 SUBDIVISIONS RANKED BY CLOSINGS

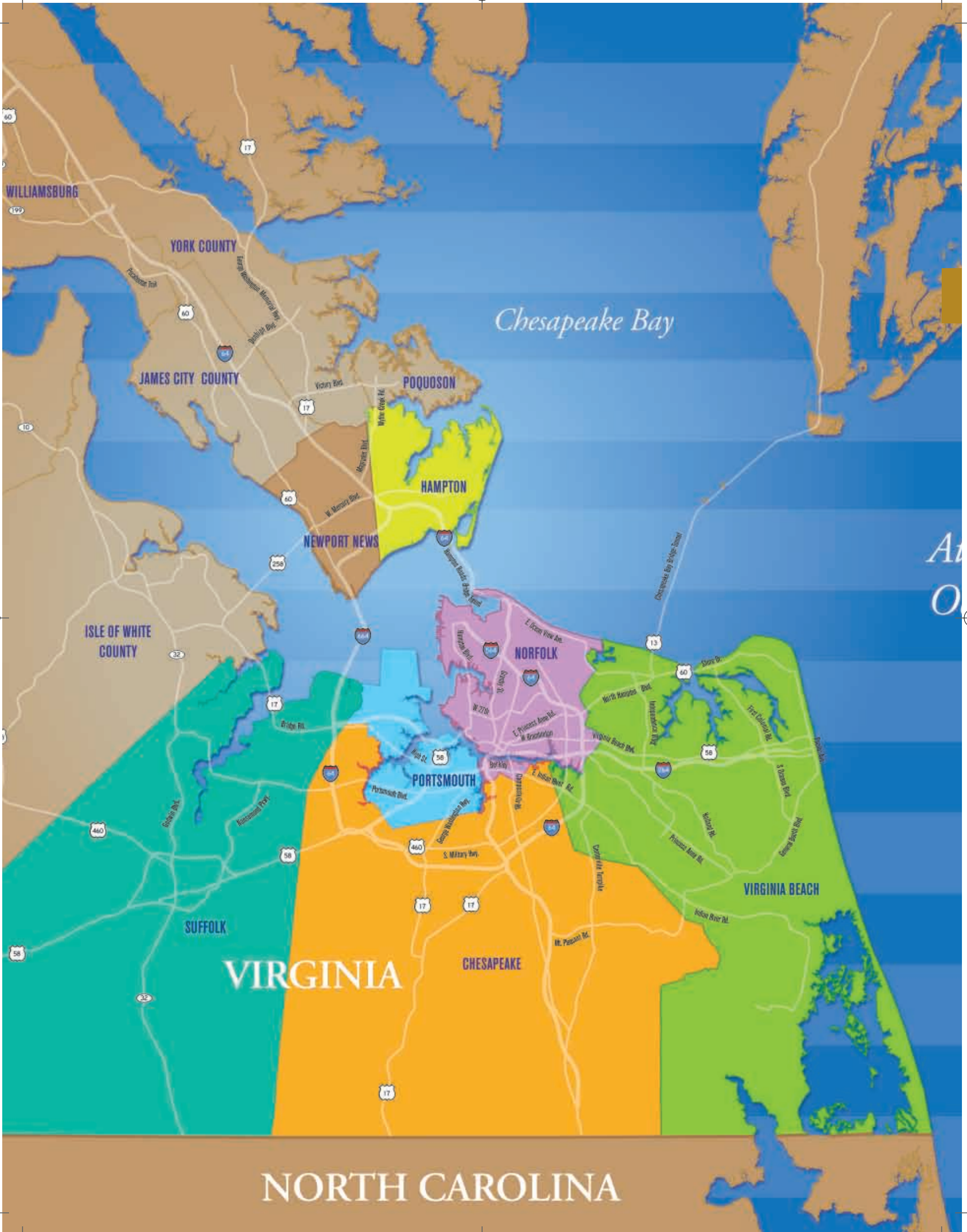
Community	No. Closed	Average Price
1. The Hampshires	48	\$286,603
2. Eagle Point at Cahoon PI	44	\$354,862
3. North Trail at Arboretum	27	\$332,006
4. Olde Mill Run	22	\$401,308
5. Preserve on the Elizabeth	21	\$554,764

Table V PENINSULA TOP 5 SUBDIVISIONS; RANKED BY CLOSINGS (JAMES CITY COUNTY (JC); YORK COUNTY (Y))

Community	No. Closed	Average Price
1. Colonial Heritage (JC)	132	\$383,068
2. Stonehouse (JC)	62	\$513,869
3. Felgate Woods (Y)	61	\$352,653
4. New Town (JC)	58	\$331,408
5. Pocahontas Square (JC)	56	\$163,925

Table VI ISLE OF WIGHT (I), NORFOLK (N), PORTSMOUTH (P), SUFFOLK (S) TOP 5 SUBDIVISIONS RANKED BY CLOSINGS

Community	No. Closed	Average Price
1. Eagle Harbor (I)	102	\$327,068
2. The Row at Ghent (N)	79	\$261,401
3. East Beach (N)	43	\$775,353
4. Villas of Smithfield (N)	39	\$256,179
5. Mansfield Farms (S)	35	\$316,716





RESIDENTIAL SUBMARKETS

Southside

Suffolk
Portsmouth
Norfolk
Chesapeake
Isle of Wight Co.
Franklin/So. Hampton
Virginia Beach

Peninsula

Newport News
Hampton
James City County
York County



2008 RESIDENTIAL

Graph III 15 YEAR CLOSING HISTORY

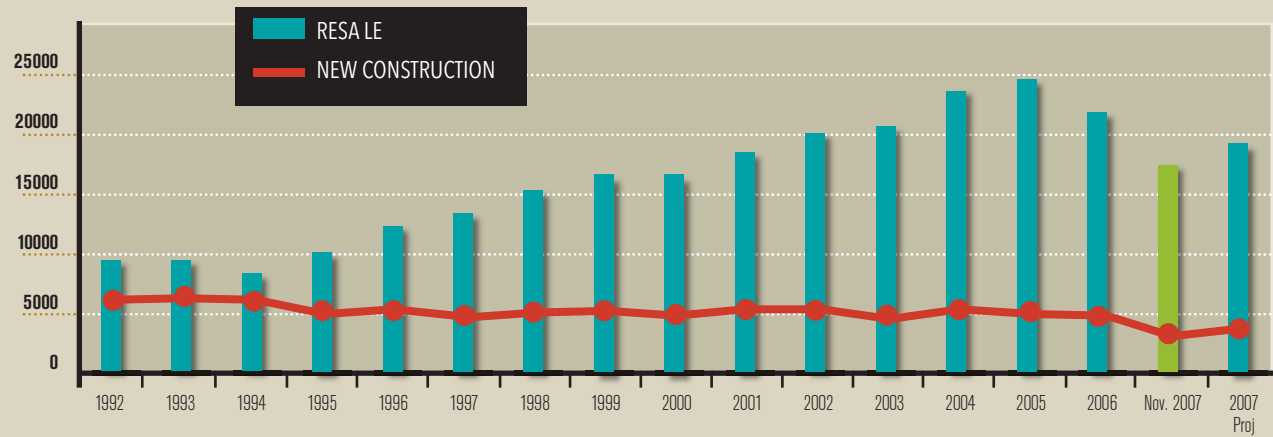


Table VII EXISTING HOMES

	National	Hampton Roads
Median Price ¹	\$210,200	\$215,000
% Change	-3.30%	-0.46%
YTD Closings ²	63,260,000	17,529
% Change	-11.96%	-14.39%
Inventory	10.3 months	6.6 months

Table VIII NEW HOMES

	National	Hampton Roads
Median Price ³	\$217,800	\$369,149
% Change	-8.64%	4.06%
YTD Sales ²	8,679,000	4,503
% Change	-25.01%	-8.18%
Inventory	9.3 months	10.1 months

¹ November 2007 ² January to November ³ October 2007

Table IX

TOP 25 HAMPTON ROADS BUILDERS BY PERMITS AND CLOSINGS


PERMITS ISSUED		CLOSINGS			
		# OF CLOSINGS		TOTAL REVENUE	
BUILDER	PERMITS ISSUED	BUILDER	PERMITS ISSUED	BUILDER	PERMITS ISSUED
1 Chesapeake Homes	375	1 Dragas Associates	360	1 Dragas Associates	102,760,071
2 Centex Homes	270	2 Chesapeake Homes	287	2 Centex Homes	102,230,302
3 Dragas Associates	183	3 Centex Homes	259	3 Chesapeake Homes	91,401,433
4 Lennar Corp	130	4 Franciscus Co Inc	172	4 Lennar Corp	50,934,982
5 Franciscus Co Inc	99	5 Lennar Corp	133	5 The Futura Group Llc	49,740,148
6 K B S Inc	77	6 L L Bldg Corp	94	6 Franciscus Co Inc	42,468,143
7 Mcq Bldrs & Dev Inc	72	7 Terry/Peterson Res	75	7 L L Bldg Corp	30,352,955
8 L L Bldg Corp	67	8 The Futura Group Llc	69	8 Ainslie-Widener Inc	25,960,749
9 Hearndon Constr Corp	65	9 Atlantic Homes Corp	64	9 Terry/Peterson Residen	24,431,150
10 Beco Construction Inc	64	10 Health E Community Ent	64	10 Virginia Ent Inc	23,725,570
11 Atlantic Homes Corp	62	11 Bristol Development	63	11 Lifestyle Homes Llc	21,625,151
12 Lifestyle Homes Llc	61	12 Virginia Ent Inc 57	12	Atlantic Homes Corp	20,421,206
13 Associated Contr Svc Inc	60	13 Ainslie-Widener Inc	53	13 Ryan Homes	19,612,134
14 Ryan Homes	59	14 Eagle Construction	48	14 Solid Concepts Inc	18,907,961
15 Armada Hoffer	56	15 Mcq Bldrs & Dev Inc	48	15 Hearndon Constr Corp	18,348,626
16 W M Jordan Co Inc	54	16 Pace Constr & Dev Corp	48	16 Bishard Development Co	18,179,943
17 Bush Constr Corp	54	17 Lifestyle Homes Llc	47	17 Eagle Construction	17,859,850
18 Solid Concepts Inc	46	18 Hearndon Constr Corp 47	18	Wayne Harbin Bldr Inc	17,595,470
19 Hhhunt Homes	46	19 Lynnhaven Homes Inc	47	19 Beco Construction Inc	17,543,783
20 Home Associates Of Va	42	20 Villa Development	46	20 S B Ballard Inc	17,426,634
21 Regent Ent Inc	40	21 Bishard Dev Corp	45	21 Sadler Bldg Corp	17,220,883
22 Ashdon Builders Inc	36	22 Collins Ent Inc	45	22 Mcq Bldrs & Dev Inc	16,365,060
23 R & R Constr Corp	34	23 Beco Construction Inc	43	23 Bristol Development	16,231,601
24 Stephen Alexander Homes	33	24 Home Associates Of Va	41	24 Home Associates Of Va	16,086,084
25 Virginia Ent Inc	30	25 Ryan Homes	38	25 Collins Ent Inc	14,598,780

2008 RESIDENTIAL

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MULTI-FAMILY

2008 HAMPTON ROADS REAL ESTATE MARKET REVIEW

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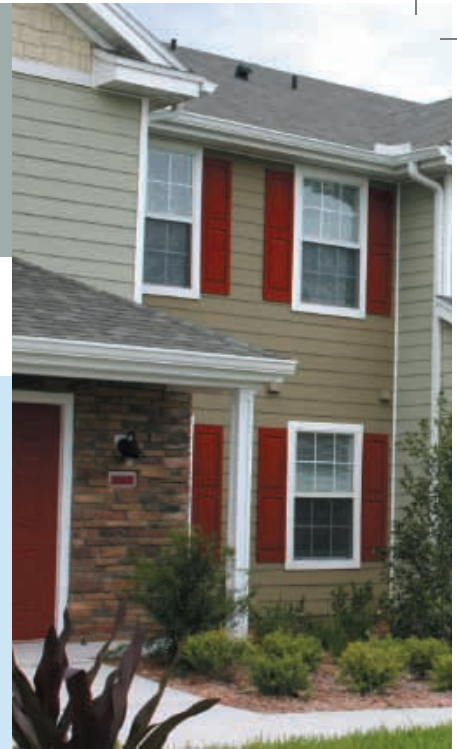
Charles Dalton

Data Analysis/Layout

Real Data

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General Overview

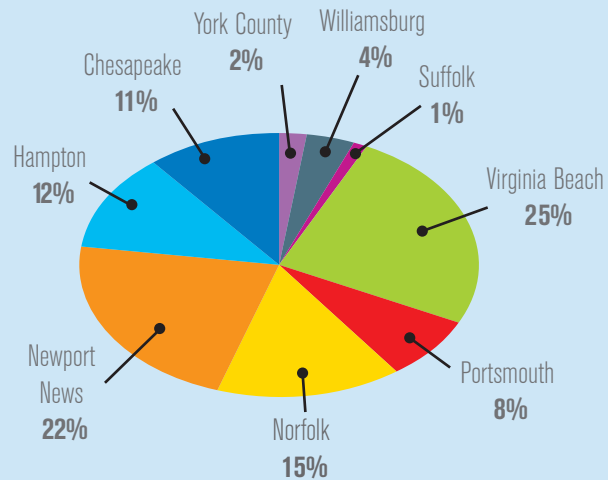
The Virginia Beach-Norfolk-Newport News Multi-Family Report, published by Real Data, is a detailed analysis of the rental market within conventional apartment communities in the Hampton Roads region. The area has been divided into nine submarkets: Chesapeake, Hampton, Newport News, Norfolk, Portsmouth, Suffolk, Virginia Beach, Williamsburg and York County. Combined, these areas contain a survey base of over 80,000 units within conventional apartment communities of 50 or more units each.

The Virginia Beach-Norfolk-Newport News market is divided into two portions by the James River. The Peninsula area is north of the James River and contains Hampton, Newport News, Williamsburg and York County. The Tidewater area is south of the James River and contains Chesapeake, Norfolk, Portsmouth, Suffolk and Virginia Beach. The submarket with the highest concentration of units is Virginia Beach, which accounts for one-quarter of the regions apartment units.

The occupancy rate in the Hampton Roads region is consistently one of the highest in the southeast. As of October 2007, the average occupancy rate was 94.9%. There was an upswing in development activity in 2007 with 1,169 new units started compared to only 640 units in 2006. As of October 2007, there were over 1,112 units under construction, and an additional 1,800 units were proposed.

The average quoted rental rate is \$862, with one-bedroom rents averaging \$770 per month, two-bedroom units with an average rental rate of \$869, and three-bedroom units reporting an average quoted rental rate of \$1,015. Rental rates from existing inventory increased \$34 in the last twelve months.

SUBMARKET PERCENTAGES





HISTORICAL APARTMENT DEVELOPMENT

Virginia Beach-Norfolk-Newport News

A total of 83,876 units were surveyed for this report. Development of apartment units in this market peaked during two time periods, the early 1970s and the late 1980s. Development during the 1990s and so far in the 2000s is minor compared to past development. Approximately 18% of the apartment units in this region were built after 1990.

Table 1 HISTORICAL APARTMENT DEVELOPMENT





2008 MULTI-FAMILY

MULTI-FAMILY PERMIT ACTIVITY

Historical Multi-Family Building Permits Virginia Beach-Norfolk-Newport News

Overall housing development in the region was at its peak from 2002-2006 with more than 10,000 permits issued annually for single and multi-family housing. With the slow down in the overall housing market, residential permits issued fell to 7,689 in 2006 which was a 32% decrease compared to the peak of activity in 2005. Based on year to date numbers for 2007, overall housing permits in 2007 will be below the 2006 levels.

Multi-family permit activity, which includes rental and for-sale units, was strongest in 2005. Much of the permit activity has not been rental apartments, but instead for-sale condominiums and townhouses, especially in recent years when a decline in interest rates made it easier for many people to get into the for-sale arena. Multifamily permits have continued to slow in the last twelve months with the number of permits issued in the last six months at only one-third the prior period.

Table II ANNUAL MULTI-FAMILY PERMIT ACTIVITY

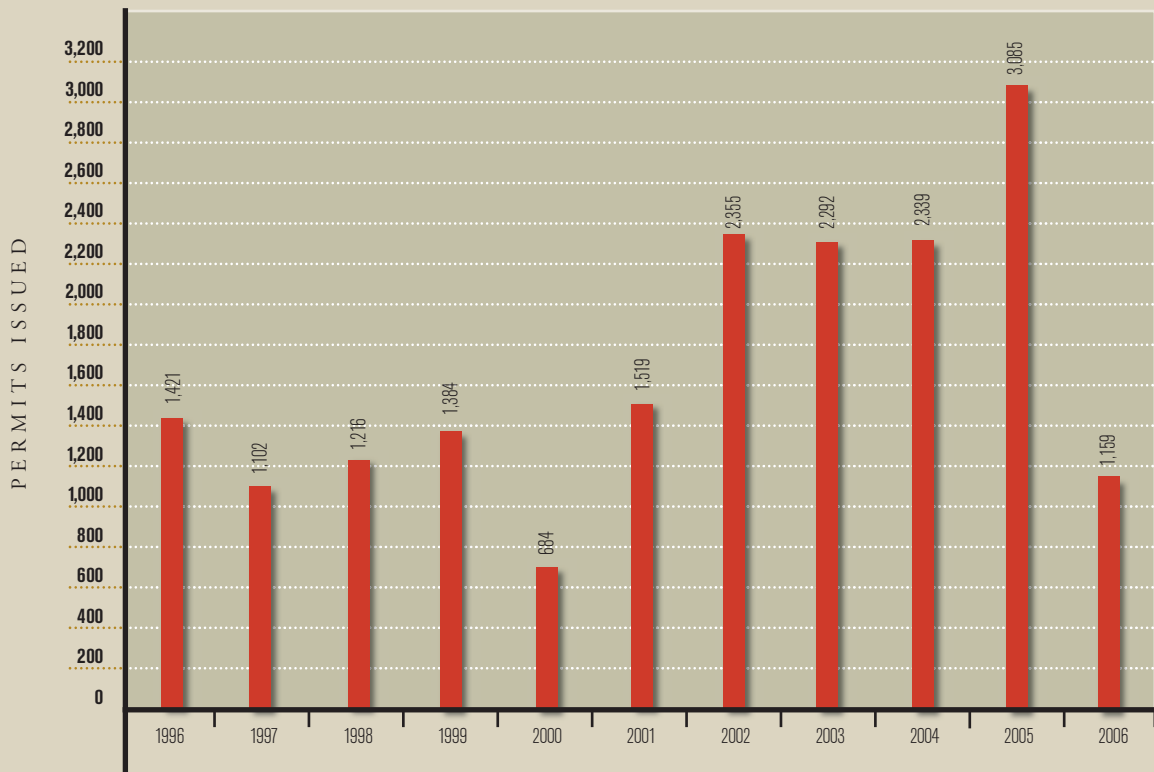
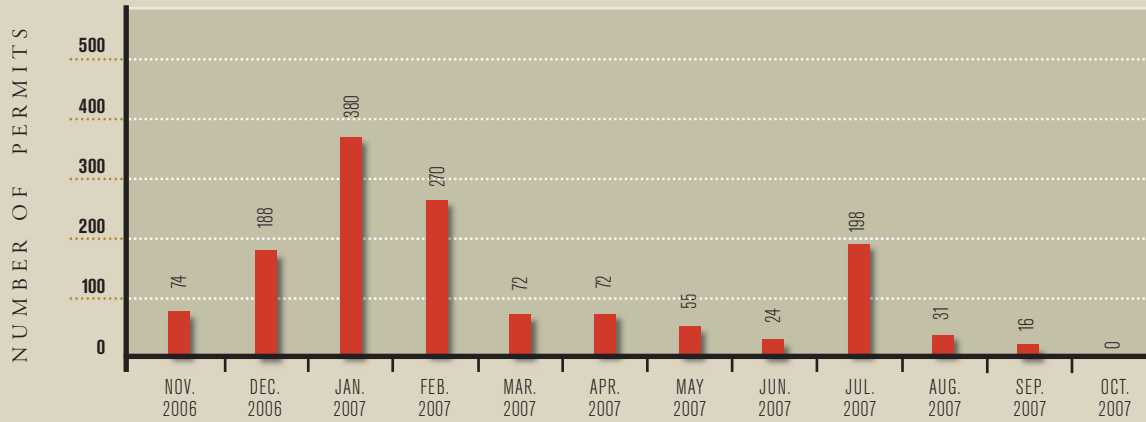


Table III

MULTI-FAMILY PERMITS ISSUED – PAST 12 MONTHS

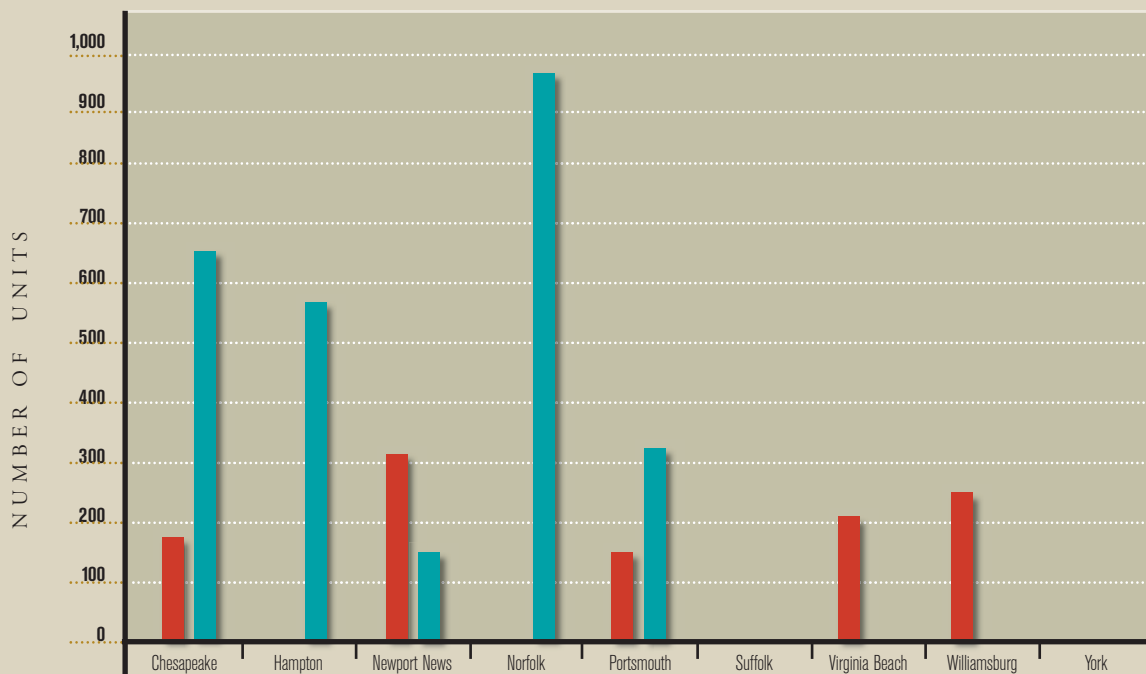


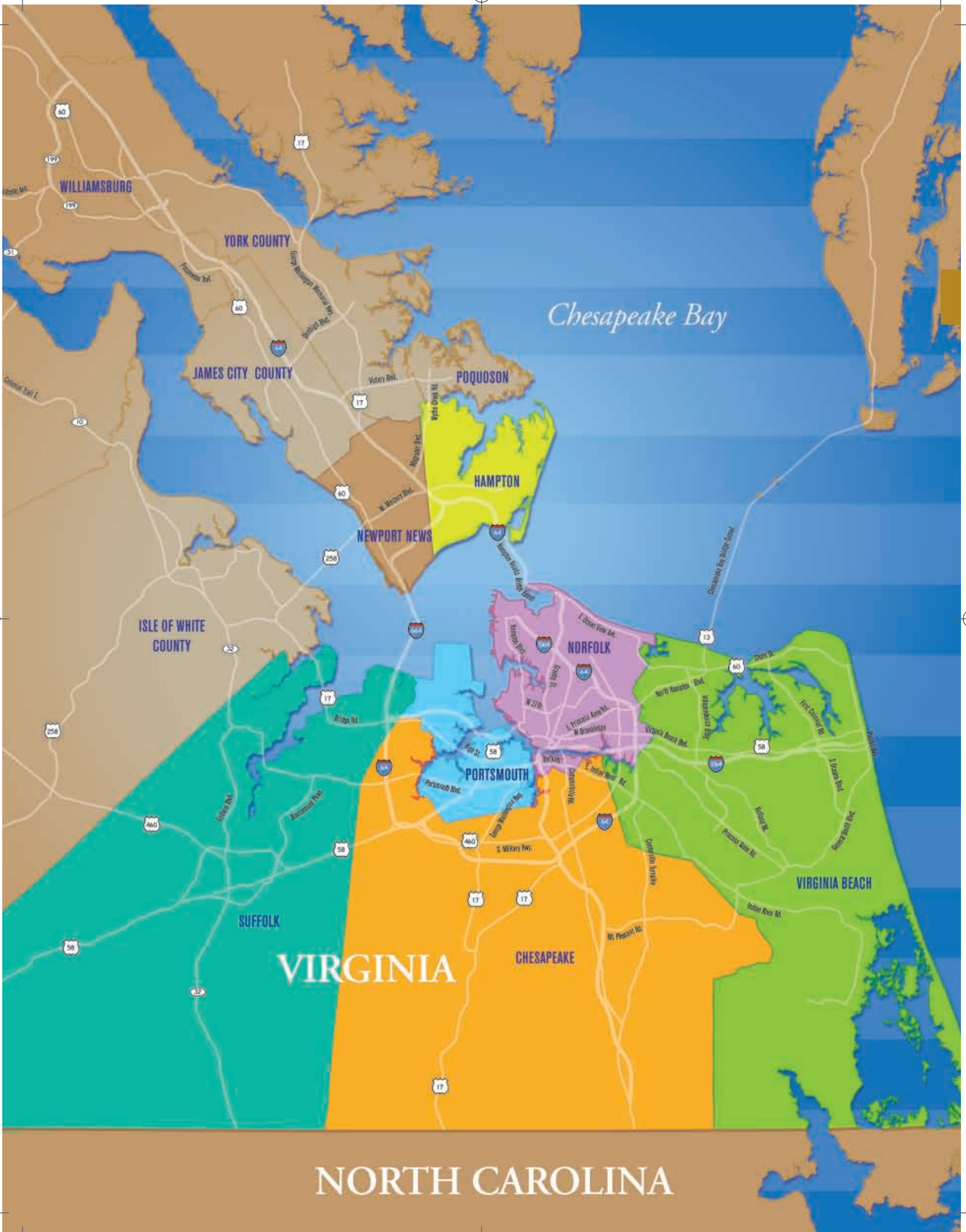
APARTMENT DEVELOPMENT ACTIVITY

As of October, there were over 1,100 apartment units under construction within seven communities in the Virginia Beach-Norfolk-Newport News market. There are an additional 3,300 apartment units in the planning stage.

Table IV

APARTMENT DEVELOPMENT ACTIVITY (OCTOBER 2007)







*Atlantic
Ocean*

MULTI-FAMILY SUBMARKETS

Southside

Suffolk
Portsmouth
Norfolk
Chesapeake
Isle of Wight Co.
Franklin/So. Hampton
Virginia Beach

Peninsula

Newport News
Hampton
James City County
York County

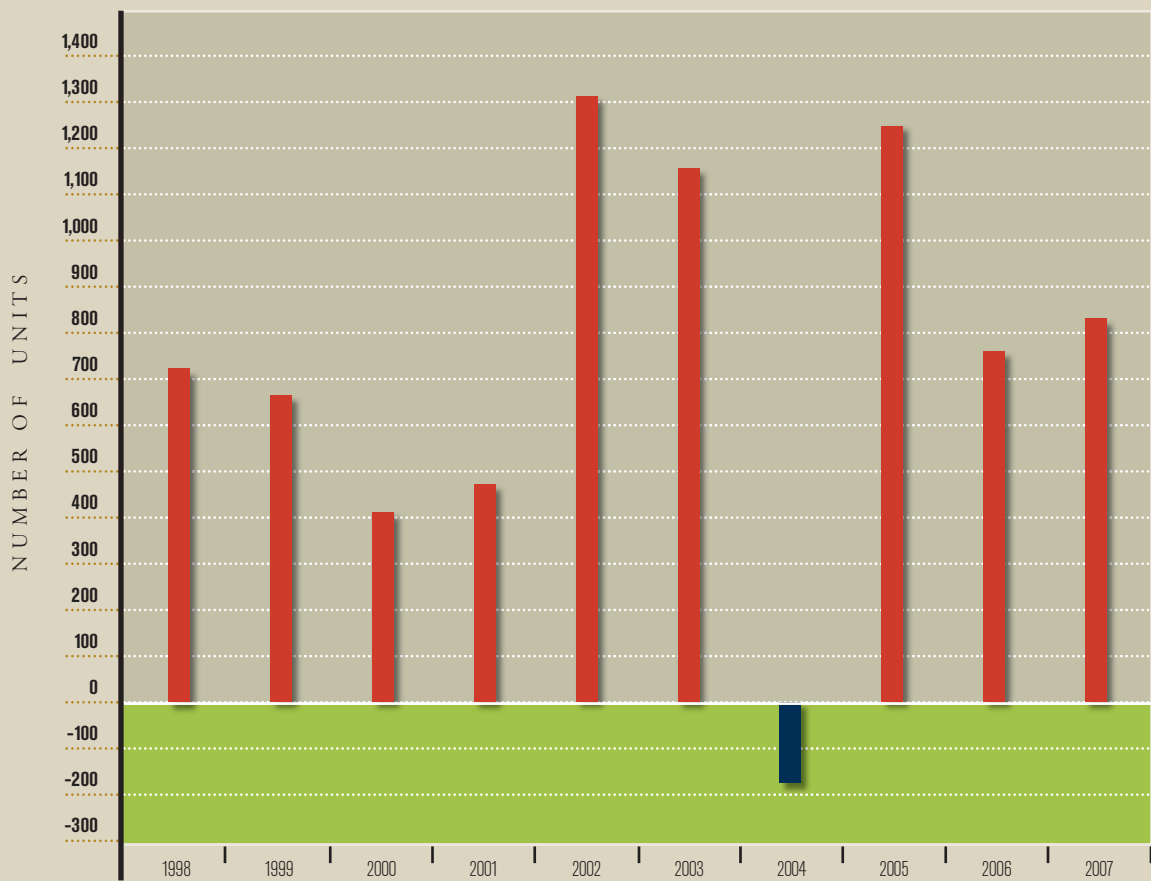


2008 MULTI-FAMILY

ABSORPTION

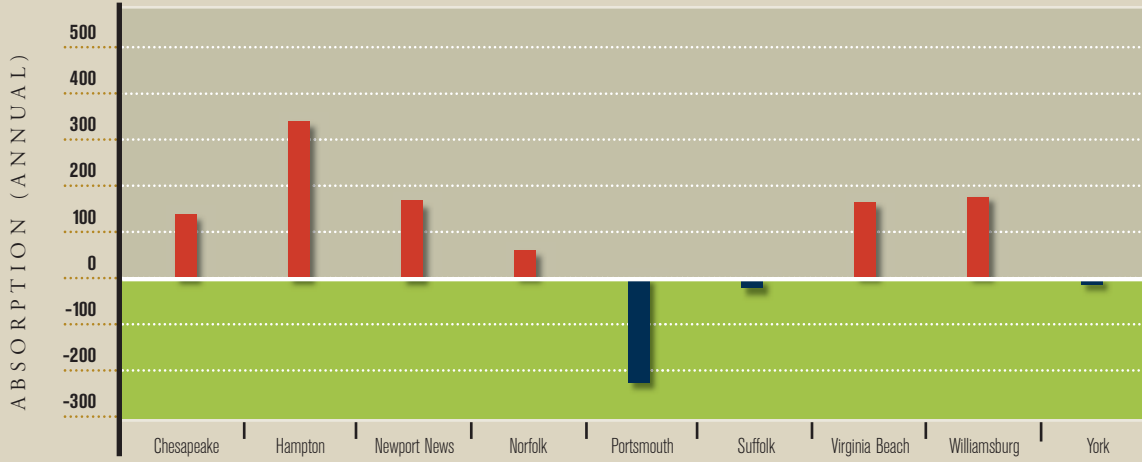
Demand for housing can be measured by calculating the number of housing units absorbed within a given time frame. Absorption is defined as the net change in occupied units. Therefore, positive absorption occurs when previously vacant or newly built dwellings become occupied. Based on the current state of the economy and historical performance, the Virginia Beach-Norfolk-Newport News area is expected to absorb between 600 and 900 units annually. The 828 units absorbed over the past year falls within the expected absorption levels.

Table V ABSORPTION



The Hampton submarket, which reported the most new units coming on-line, had the highest level of absorption in the last year. Although Portsmouth reported the weakest demand with the loss of (-214) renters, this was due in large part to the closing of one community in anticipation of redeveloping the site.

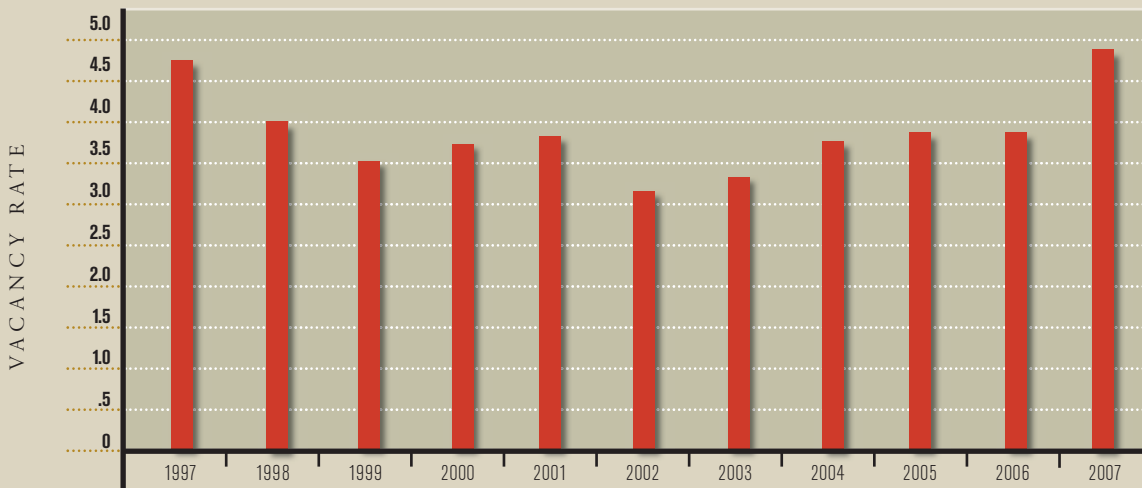
Table VI SUBMARKET ABSORPTION – OCTOBER 2007



VACANCY

The overall vacancy rate for the Virginia Beach-Norfolk-Newport News market as of October 2007 was 5.1%. While this is the highest the vacancy rate has been in nearly 10 years, the market is still very healthy. Based on the current development pipeline, vacancy rates are expected to rise slightly but should remain at or below 6%.

Table VII OVERALL VACANCY

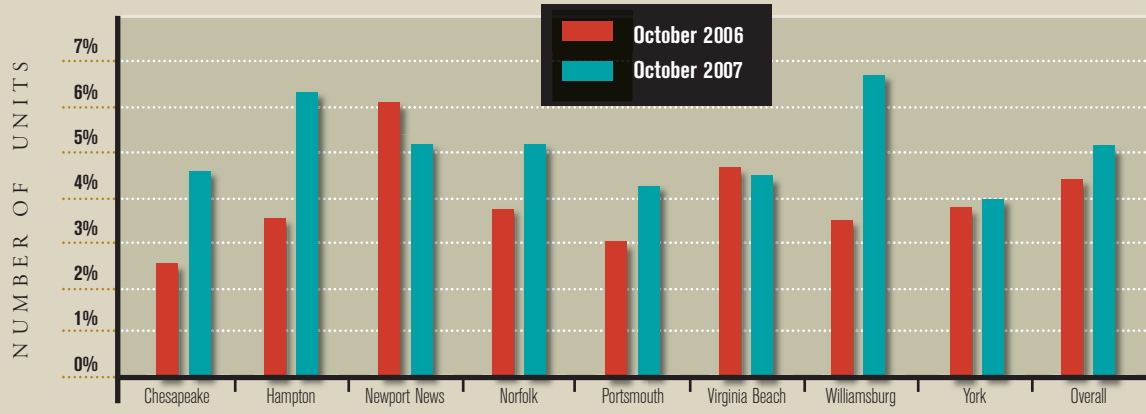


Every area saw an increase in vacancy rate over the past six months with the exception of Virginia Beach and Newport News. The most significant increase in vacancy was in Hampton and Williamsburg which was the result of recent new developments coming on line in those submarkets.



2008 MULTI-FAMILY

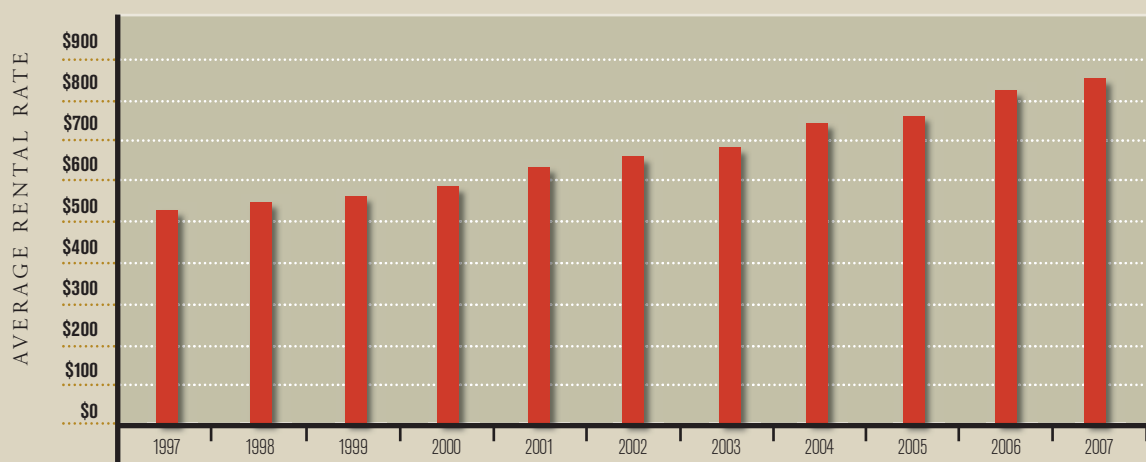
Table VIII SUBMARKET VACANCY RATES



RENTAL RATES

As of October, the average rental rate in Virginia Beach-Norfolk-Newport News was \$862. Although rent growth remains healthy at more than 4% in the last year, the rate of growth has been shrinking since peaking at nearly 6% in 2004.

Table IX AVERAGE RENTAL RATES

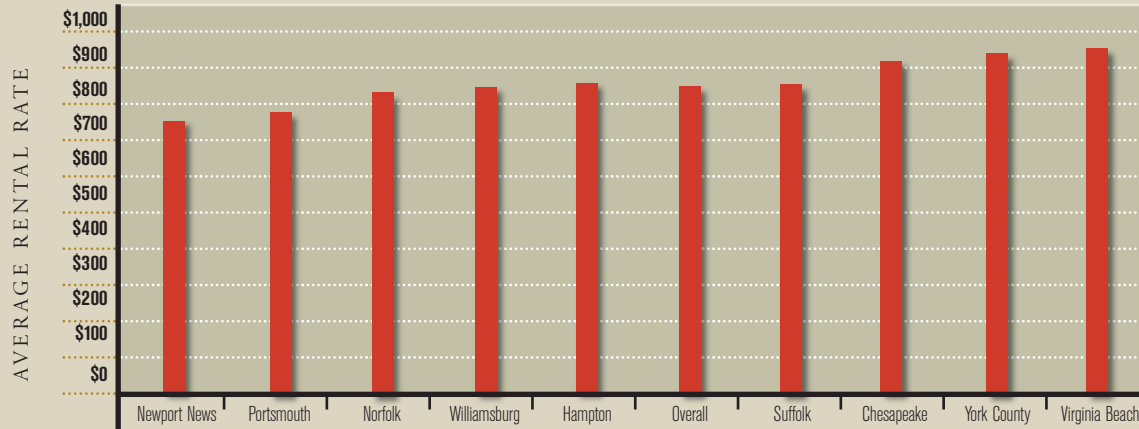


AVERAGE RENTS

Average overall rents ranged from a low of \$768 in Newport News to a high of \$957 in Virginia Beach. Newport News, Portsmouth, Norfolk, Williamsburg, and Hampton all reported rents lower than the average rent of \$862, while Suffolk, Chesapeake, York and Virginia Beach all reported rents higher than the average overall rent.

Table X

AVERAGE RENT BY SUBMARKET – OCTOBER 2007

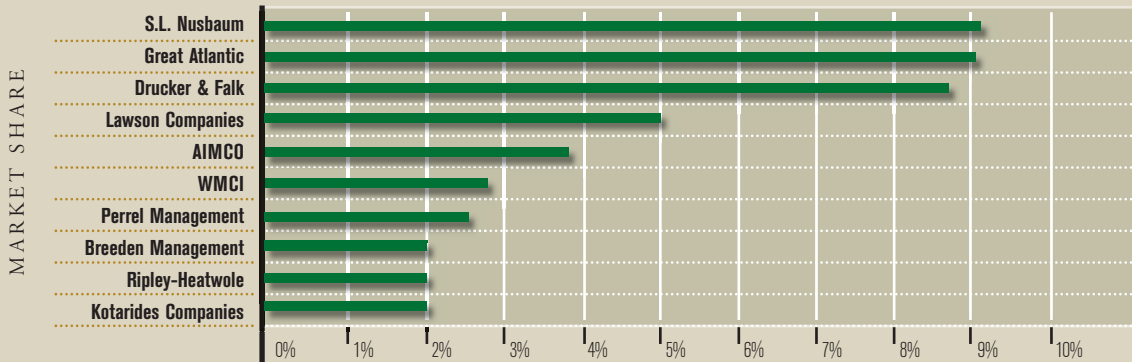


MANAGEMENT

There were nearly 450 conventional apartment communities with more than 50 units surveyed in the Hampton Roads region in October. Out of more than 80,000 apartment units surveyed, the top fifteen management firms manage close to 70% of these units in the Virginia Beach-Norfolk-Newport News apartment market. The top five management firms manage 35% of the surveyed market.

Table XI

TOP 10 MANAGEMENT COMPANIES



REGIONAL TRENDS

Richmond

Occupancy rates have steadily risen over the last several years in Richmond and are 95% as of August 2007. New development activity in the area has been limited and demand has been strong. Rent growth has been in the 3-4% annually and is expected to remain healthy as occupancy rates remain at or near 95%. Development activity is concentrated in the downtown area with conversions of older industrial buildings into new residential units. Developers are also active in Chesterfield County along Highway 288 and we would expect to see more development in Petersburg area in anticipation of the expansion at Fort Lee.

Roanoke

Occupancy rates and rental rates are improving in Roanoke with occupancies reaching 94% as of April 2007 and rental rates increasing nearly 4% for the year. There have been no new apartment developments of any significant size in Roanoke in the last few years.



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2008 HAMPTON ROADS REAL ESTATE MARKET REVIEW

Acknowledgements

Author

J. Scott Adams, CCIM
President - Mid-South Region
CB Richard Ellis



2008 INVESTMENT

General Overview

The real estate story making all of the national headlines at this time is in the residential market, not the commercial real estate market. But this overview will discuss how the nationwide slowdown in housing does actually impact our commercial market through the capital markets. But even with this correlation, commercial real estate should continue to perform strongly as an investment class nationally. And within that context, Hampton Roads should continue to perform well as a market area overall and within each of the four core product types (office, industrial, retail, and multifamily).

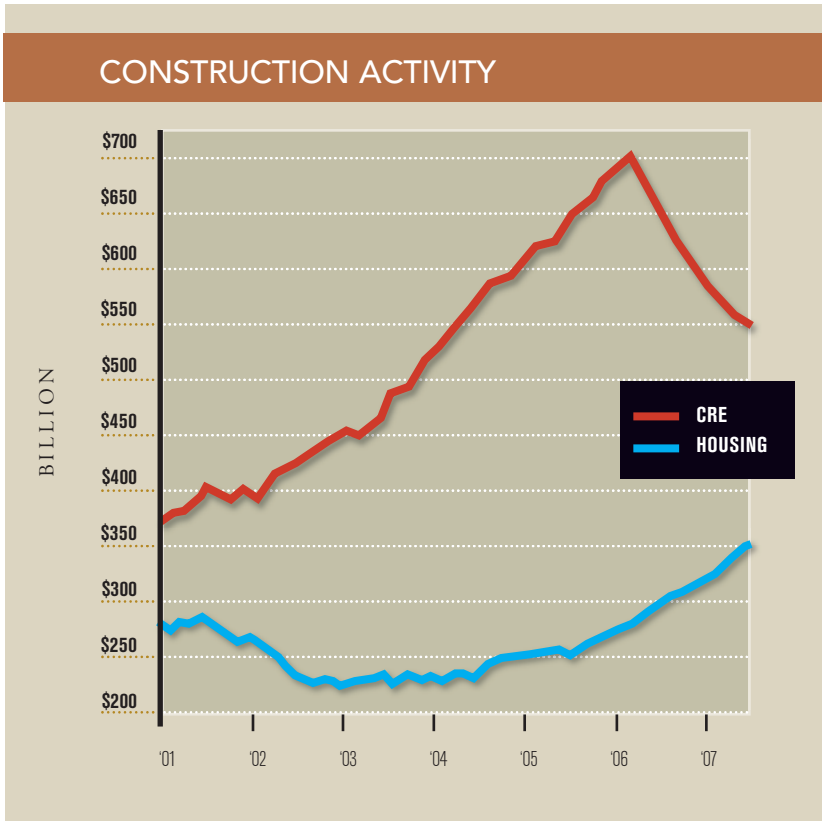


COMMERCIAL VERSUS RESIDENTIAL

Since 2004, commercial real estate construction has picked up but still arguably at controlled levels which can be absorbed without significant market correction.

While the "spin-doctors" of commercial real estate began to say during 2007 that there was minimal to no connection between the falling residential markets and the healthy commercial markets, no experts are saying that in 2008. With that said, the severe change in the residential market is not expected in the commercial market. Dennis Yes key, national director of Deloitte & Touche LLP's Real Estate Capital Markets Group, recently noted that "The commercial real estate industry as caught a cold from all the coughing and sneezing of the housing market, which is deathly ill." The differing levels of sickness can best be explained by three key differentiators.

The first key differentiator between the commercial and residential markets is the amount of new supply over the last 7 years. While new residential construction doubled nationally from 2001 through 2006, new commercial real estate construction was minimal and flat from 2001 to 2004 still largely recovering from the last slowdown of commercial real estate started in the late 1990's. Since 2004, commercial real estate construction has picked up but still arguably at controlled levels which can be absorbed without significant market correction. The severe slowdown in the residential market nationally has impacted the Hampton Roads area also although not the same extent of other markets where overbuilding was even more rampant over the last 5 to 7 years. The following chart shows the controlled new commercial real estate construction nationally as compared to the residential construction boom.



The second key differentiator between the commercial and residential markets is the disappearance of a large sector of the buyer pool for residential properties. Speculative investors with no intent to occupy the properties or own them long term were a substantial percentage of residential buyers, particularly in the highly publicized condominium market. The demand for commercial property has been far more diverse and driven by solid fundamentals as a core asset class which will be discussed to a greater extent in a section below.

The third key differentiator between the commercial and residential markets was the aggressiveness of the lending community during the boom of 2001 to 2006. As aggressive as lending and underwriting was for commercial property during that time period, most commercial lenders continued to require minimum equity of 0% to 20% while residential investors could buy with 0% to 5% equity. With the fall off in demand for residential properties after a period of massive new supply, prices have begun to fall and foreclosures have begun to be prevalent. By contrast, commercial investors have more substantial equity at risk and are in a better position to weather potential declines in pricing. And with that said, the lack of new construction and high cost of any potential further new construction has been a buffer for commercial prices.

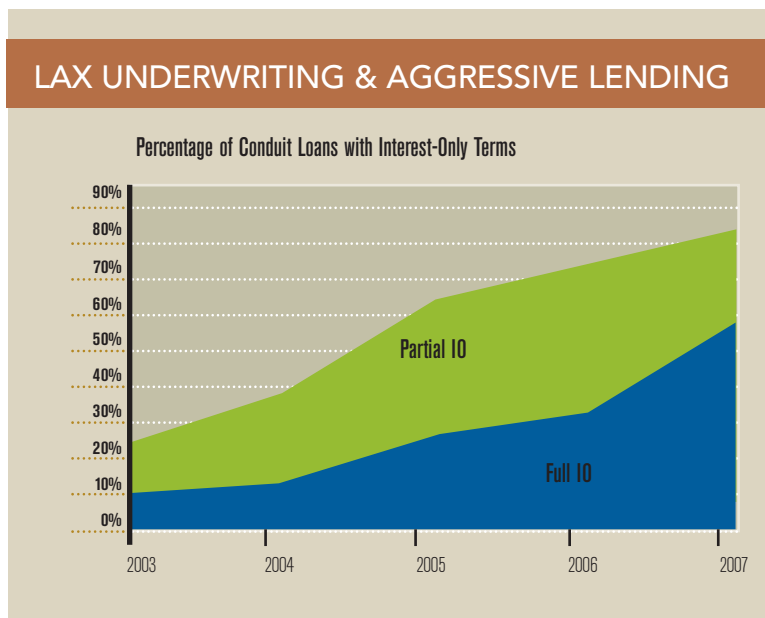
CAPITAL MARKETS

The massive over-leverage in residential real estate is the key driver for the changes in the capital markets we are now experiencing. The soaring housing and mortgage finance markets with low interest rates and high origination volume are now a thing of the past. Recent estimates project the losses stemming from the sub-prime residential mortgage meltdown to be as high as \$400 billion. While this story will continue to make national headlines and further erode national consumer confidence, it should be noted that the \$400 billion in losses represent only 3% of U.S. gross domestic product which is currently \$13 trillion. This perspective allows more sophisticated investors to put this market correction actually in favorable contrast to previous financial crises such as the S&L crisis of the 1990's.



2008 INVESTMENT

On the commercial side, delinquencies and defaults are actually near record lows. The turbulence in the capital markets is a perhaps unwanted but necessary wake-up call to further tighten the lending fundamentals but not to leave the market entirely. Commercial loans had until recently allowed lower near-term debt service coverage ratios with the expectations that occupancy and in-place rents would grow substantially during the loan period. The reliance on future improvements in Net Operating Income can best be illustrated by the significant increase in interest-only loans between 2003 and 2007. These loans reduced (i.e. partial interest-only) or eliminated (i.e. full interest-only) the requirement that the borrower pay down loan principal each year. The following chart shows that the percentage of conduit loans that had interest-only terms grew from less than 25% in 2003 to over 80% in 2007.



The availability and price of commercial real estate loans has changed dramatically since the sub-prime residential melt-down began. Commercial loans made on a go-forward basis will focus more on the in-place rent roll and require higher amounts of investor equity (likely 25% to 30%) with more significant reserves for future contingencies. Buyers are much more cautious to tie down their financing assumptions before proceeding on deals today, and buyers are very frustrated with the lack of clear and speedy response the lenders are giving them today. Peter Ruggiero, national managing director for Colliers International's investment services group, recently stated, "The market is not sick; it's just indecisive."

COMMERCIAL REAL ESTATE AS INVESTMENT CLASS

While commercial lenders are frustrated that their hands are being tied far more than solid commercial fundamentals should dictate, the key issue for commercial real estate as an investment class is that the capital markets do remain open for commercial investments. Commercial market fundamentals remain healthy, and the predictable and transparent contractual cash flows of commercial real estate still appear relatively attractive to alternative investment opportunities.

Commercial real estate as an investment class has boomed from 2001 through 2007 primarily through a mix of portfolio and one-off investments. The entire 6 year period was also highlighted by strong growth in the public Real Estate Investment Trust sector, but the availability and low cost of private debt and equity led to a "privatization" boom for the REIT's that began in 2005. These privatizations were effectively large portfolio acquisitions and were primarily done by real estate investors planning to "flip" the assets on a one-off or smaller portfolio basis at even higher prices. The following chart prepared by Real Capital Analytics, a New York-based research firm, shows the huge increase in U.S. commercial property sales over \$5 Million in value since 2001.



The run-up in commercial real estate investment was fueled in part by a massive wall of liquidity looking for a home. In the United States during 2006, for instance, for every dollar that was spent on buying commercial real estate, there were two more dollars that did not get placed. Commercial real estate has been viewed very favorably relative to other asset classes, and investors viewed the available returns as perfectly acceptable even as cap rates and expected yields declined during the boom period. Capital supply and demand fundamentals gave sellers the upper hand during this period, and that trend is expected to be largely over although the supply of investors will continue to be plentiful. With average yield rates on commercial real estate investments still expected to be higher than those for many other investment alternatives, commercial real estate likely will continue to be a preferred investment class from a risk-adjusted basis.

Since 2004, commercial real estate construction has picked up but still arguably at controlled levels which can be absorbed without significant market correction.

A recent National Real Estate Investor survey of more than 1,000 private and institutional real estate investors shows that a majority still want to invest more funds in the sector while only 7 percent plan to decrease their investments in real estate over the next 12 months. This survey was conducted after the first national recognition of the slowdown in the U.S. economy as evidenced by anemic job growth figures. As investors aim to move forward in this period of uncertainty, the key question for each potential transaction is what is fair market pricing.

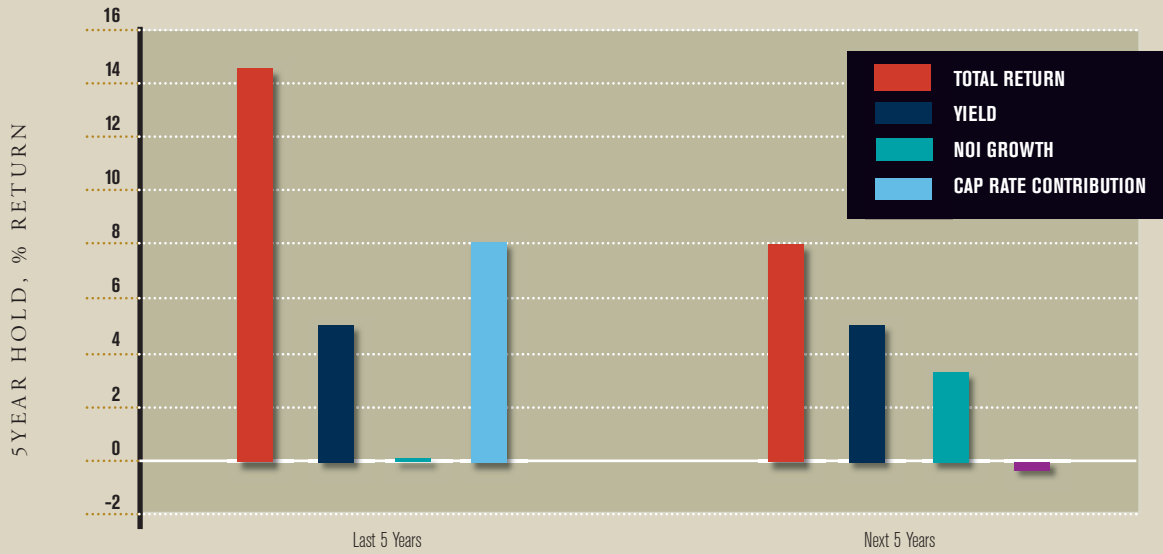
At the current time, most commercial owners are still optimistic that strong fundamentals will keep sales prices on par with recent records if not continuing to climb, while most buyers believe that a market correction will lead to better purchase opportunities in the coming months. Accordingly, most buyers and sellers aren't seeing eye-to-eye, and each side appears to be waiting for the other side to blink.

Within this overall pricing gap environment, disparities are accentuated in lesser quality assets. The quality of assets can be reviewed in this regard in terms of geographic area and submarket within that area as well as the physical condition, tenancy, and other relevant features. Assets in marginal locations or with significant deferred maintenance or downside risk will be most negatively impacted, as investors flock to quality and security in times of uncertainty.



2008 INVESTMENT

ANALYSIS OF INVESTMENT RETURNS LAST 5 YEARS VS. NEXT 5 YEARS



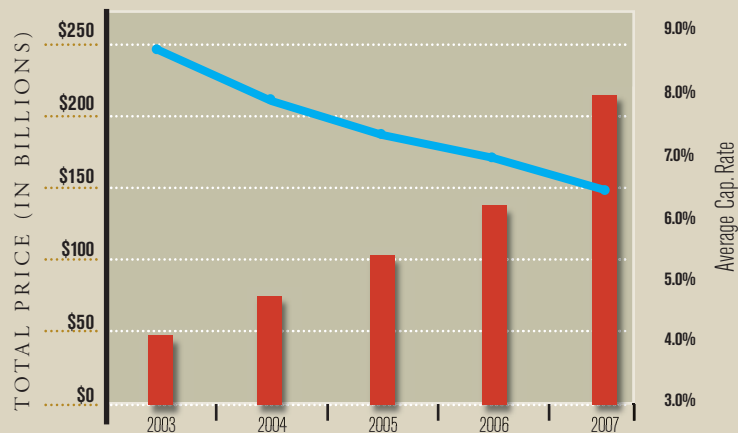
A large part of the rise in commercial pricing in recent years has been from investors' willingness to accept lower returns rather than real growth in asset operating performance. Going forward, commercial real estate investors will have to work harder to achieve above-market returns. With the combination of less generous capital market pricing and slowing economic growth, the question is not whether cap rates will rise, but rather the timing and magnitude of the increases. A recent Torto Wheaton analysis highlighted that declining capitalization rates were the largest positive contributor to total returns over the last 5 years but certainly are not expected to be over the next 5 years.

OFFICE PROPERTIES

During the last 5 years, commercial real estate investment in office properties has increased dramatically in terms of volume while also seeing cap rates decline dramatically. The following chart using data gathered by Real Capital Analytics, a New York-based research firm, shows the evolution in the office investment market from 2003 to 2007.

During this 5 year period, office landlords have enjoyed falling vacancies and rising rents with limited new construction adding supply to the market. While office fundamentals remain sound, the softening U.S. economy will lead to slower growth in rents and lower space absorption levels.

OFFICE MARKET



Source: Real Capital Analytics



While these factors will impact the Hampton Roads market also, the area has clearly benefited from the nationally favorable trends. CB Richard Ellis market research tracked 7 office investment sales of \$15 Million or more during 2007. These sales included the largest downtown and largest suburban office sales in our market's history.

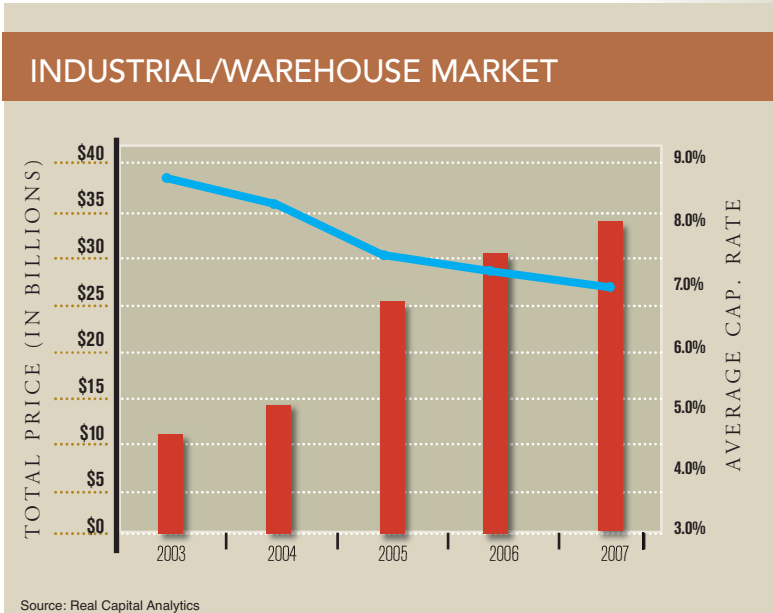
2007 OFFICE SALES OF \$15 MILLION OR MORE

Property Name	Purchase Price	s.f.	\$/s.f.	Seller	Purchaser
Gee's Group Portfolio	\$61,100,000	337,335	\$181	Gee's Group	Guardian Realty Investors
150 West Main	\$56,000,000	226,450	\$247	St. Joe Commercial	EOLA Capital
Greenbrier Office/Flex Portfolio	\$36,000,000	325,106	\$110	Brookfield Real Estate	First Potomac Realty Investment LP
Starmount Portfolio	\$32,379,116	268,086	\$121	Starmount Company	CBL & Associates
500 E. Main St.	\$29,820,511	228,541	\$130	Harbor Group International	NPV/Direct Invest
Patrick Henry Corporate Center	\$18,575,000	98,883	\$188	Carr Properties/JP Morgan	KBS REIT
Patrick Henry Corporate Center	\$16,378,700	98,883	\$166	Columbia Equity Trust	Carr Properties/JP Morgan

INDUSTRIAL PROPERTIES

During the last 5 years, commercial real estate investment in industrial properties has also increased dramatically in terms of volume while also seeing cap rates decline dramatically. The following chart using data gathered by Real Capital Analytics, a New York-based research firm, shows the evolution in the industrial investment market from 2003 to 2007.

During this 5 year period, industrial landlords have enjoyed robust absorption levels but have also seen significant amounts of new construction and less robust growth in rents. The national slowdown in consumer demand, industrial production, and the overall economy will negatively impact absorption and rental rates as well. One remaining positive factor is that global exports have been particularly buoyed by the weak U.S. dollar.





2008 INVESTMENT

The Hampton Roads market should continue to be a national leader in the warehouse market with the positive trends in global trade and the excellent infrastructure of the Ports of Virginia. While CB Richard Ellis market research tracked only 2 industrial investment sales of \$15 Million or more during 2007, there were another 5 industrial sales transactions under \$15 Million but over \$5 Million.

2007 INDUSTRIAL SALES OF \$15 MILLION OR MORE

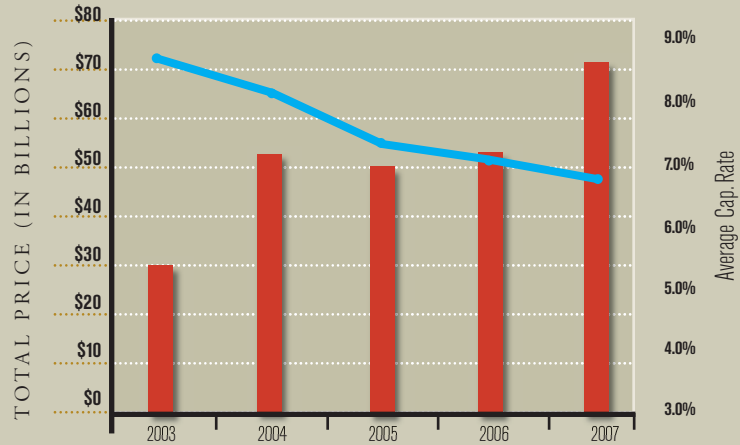
Property Name	Purchase Price	s.f.	\$/s.f.	Seller	Purchaser
Commonwealth Storage Portfolio	\$36,000,000	652,780	\$55.15	Commonwealth Storage, Inc.	Not Disclosed
Stock Building Supply	\$16,450,000	285,600	\$57.60	Kempsville Building Materials	Marc Realty, LLC

RETAIL PROPERTIES



During the last 5 years, commercial real estate investment in retail properties has also increased dramatically in terms of volume while also seeing cap rates decline dramatically. The following chart using data gathered by Real Capital Analytics, a New York-based research firm, shows the evolution in the retail investment market from 2003 to 2007.

RETAIL MARKET



Source: Real Capital Analytics

During this 5 year period, retail landlords have enjoyed robust absorption levels and rent growth while consumers defied economists' expectations and kept raising their level of spending despite rising energy prices. But with employment growth slowing and the appreciation in home values clearly on a reverse course, retail vacancy is up and rents are likely to decrease. One trend that is clearly a result of the worsening economy is that shopping center landlords expect bankruptcy filings to increase and are becoming more proactive with struggling retailers.

The Hampton Roads market should continue to have strong retail market fundamentals, and national investors continue to look for opportunities to invest in Hampton Roads. Our CB Richard Ellis market research tracked 5 retail investment sales of \$15 Million or more during 2007 including major properties both in South Hampton Roads and on the Peninsula.

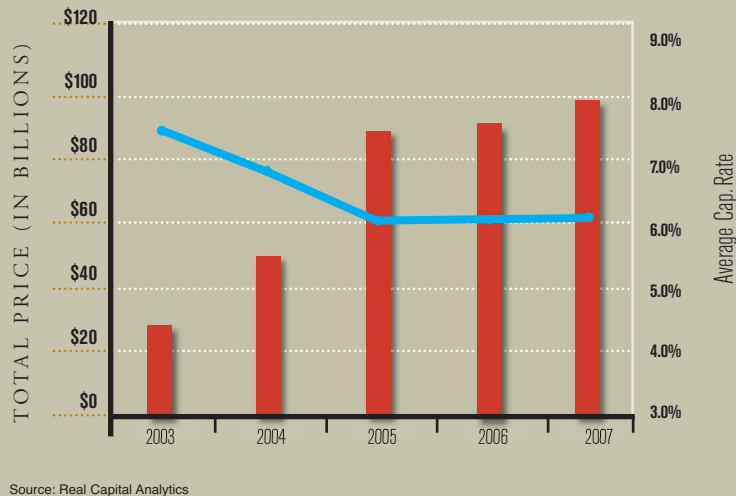
2007 RETAIL SALES OF \$15 MILLION OR MORE

Property Name	Purchase Price	s.f.	\$/s.f.	Seller	Purchaser
Denhigh Village	\$35,951,662	318,287	\$113	Developers Diversified	Inland Real Estate Corp.
Lynnhaven North	\$32,000,000	173,191	\$185	North Mall Associates	Steven D. Bell & Co.
Cypress Point	\$23,748,850	117,958	\$201	Edens & Avant	DLC Management Corp.
Best Buy - Jefferson Ave	\$21,100,000	110,017	\$192	Townsend, LLC	IM Properties
Crossroads at Chesapeake Square	\$19,180,000	119,985	\$160	Crossroads at Chesapeake Square, LLC	Inland Real Estate Corp.

MULTIFAMILY PROPERTIES

During the period of 2003 to 2005, commercial real estate investment in multifamily (apartment) properties also increased dramatically in terms of volume while also seeing cap rates decline dramatically. Since 2005, multifamily investment volume and cap rates have been consistently strong. The following chart using data gathered by Real Capital Analytics, a New York-based research firm, shows the evolution in the multifamily investment market from 2003 to 2007.

RETAIL MARKET





2008 INVESTMENT

During this 5 year period, multifamily landlords have enjoyed strong occupancy and rental rate growth, particularly in areas with high barriers to entry in terms of new supply and areas with above-average economic growth. Going forward, the slowdown in the housing market features both good news and bad news for the multifamily market. The good news is that when the housing market falters, the apartment market typically benefits from higher demand as more people are forced to rent rather than pursue home ownership. The bad news is that when the housing market falters, more homeowners decide to place their houses or condominiums that they would prefer to sell on the rental market. This unplanned supply of potential rental competition effectively serves as "shadow competition" and may impact multifamily absorption and changes in rental rates.

The Hampton Roads market should continue to have strong multifamily market fundamentals including low current vacancies and very limited amounts of new construction. CB Richard Ellis market research tracked 11 multifamily investment sales of \$15 Million or more during 2007 including major properties both in South Hampton Roads and on the Peninsula.

2007 APARTMENT SALES OF \$15 MILLION OR MORE

Property Name	Purchase Price	s.f.	\$/s.f.	Seller	Purchaser
Marina Shores	\$80,750,000	392	\$205,995	BNP Residential Properties	Babcock & Brown
Bristol at Ghent	\$48,300,000	268	\$180,224	Bristol Development Group	Associated Estates Realty
Latitudes	\$45,906,542	448	\$102,470	BNP Residential Properties	Babcock & Brown
Myrtles at Olde Towne	\$33,091,371	246	\$134,518	Prudential/Roseland	Triple Net Properties
Mayflower Seaside Towers	\$33,000,000	265	\$124,528	Colonial Properties Trust	Fairfield Residential
Watermans Crossing	\$24,686,681	260	\$94,949	America First Investors	Sentinel Real Estate
Jefferson Point	\$24,100,000	208	\$115,865	Harbor Group International	AEW Capital
Heights at Olde Towne	\$19,908,629	148	\$134,518	Prudential/Roseland	Triple Net Properties
Dockside	\$18,500,000	190	\$97,368	Bluestone Realty	Urdang/Breeden
Oyster Point Place	\$15,801,159	278	\$56,839	Praedium Group	National Commercial Ventures
Heritage at Freemason Harbour	\$15,600,000	184	\$84,783	Collins Enterprises	ING Clarion Partners

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