

2011 HAMPTON ROADS REAL ESTATE MARKET REVIEW



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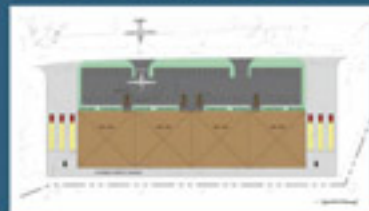
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Mike Herron
Inside Business
757.222.3991

SPECIAL PUBLISHING MANAGER

Olga Currie

GRAPHIC DESIGN

Pico Design & Illustration
www.picodesign.net
757.493.0370

DIRECTOR OF SALES

Bill Blake
757.222.3165

ADVERTISING SALES

Robin Simmons
John Kinsley

BUSINESS MANAGER

Debbi Wilson

Inside Business
150 W. Brambleton Avenue
Norfolk, Virginia 23510
757.222.5353



E. V. Williams Center
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Data for Old Dominion University
E.V. Williams Center for Real Estate and
Economic Development Market Survey was
collected in the fourth quarter — 2010

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Welcome and thank you for joining us for the 2011 Old Dominion University E. V. Williams Center for Real Estate and Economic Development (CREED) Hampton Roads Real Estate Market Review and Forecast. This is our 16th 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 D.C. and Atlanta.

Our report this year features an expanded residential overview to a new section reviewing existing home sales. The Real Estate Information Network (REIN) has graciously provided us with the data and analysis by James Pritchard. This information, in conjunction with our ongoing evaluation of residential development, now provide you with a more informative and comprehensive overview of the residential market.

Growth and development at CREED is driven significantly by support from our members. In 2010, the Industry Professional Advisors to the Center (IPAC) and the CREED Council numbered 114. Together, these membership bodies are dedicated to creating a nationally prominent center of excellence in real estate research and education here at Old Dominion University. The high degree of support and involvement demonstrated by our membership is positioning CREED to invest greater resources in research, additional educational programming, networking opportunities, and practical applications that benefit the Industry as a whole and sustain the real estate community here at Old Dominion University.

CREED membership continues to be one of the most cost effective networking organizations you can ever support. There are many benefits to CREED membership, including complimentary registration to CREED events such as the Hampton Roads Real Estate Market Review and Forecast and the annual CREED Business Meeting and Luncheon. Moreover, there are several opportunities to meet promising students for possible internships or career symposiums. CREED Council and IPAC membership also provides further opportunity for those of you who want to see real estate establish itself as an academic major of choice for Old Dominion University students.

With member support, CREED continues to expand student offerings and member services and programming. In 2010, CREED invited several industry leaders to campus and sponsored numerous events in the College of Business and Public Administration including a guest speaker series. In June, CREED welcomed Dr. Susan Wachter, former United States Assistant Secretary of Housing and Urban Development, to advise our membership on navigating the turbulent economic climate.

Looking ahead to 2011, CREED is expanding its partnership with the local chapter of the Urban Land Institute, in addition to many other regional industry partners. Dr. Michael J. Seiler, the Robert M. Stanton Chair of Real Estate, continues his cutting edge research in areas of consumer behavior and the home purchase process. His research appears in top level publications all the while enhancing the reputation of real estate related research in the College and University.

There are many people to thank for their contributions to this report and the annual market review. Many writers, speakers, and event planners make this program such a success. 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 we have changed the way we present some of our information. 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.

John R. Lombard, Ph.D.

Associate Professor and Chair | Department of Urban Studies and Public Administration

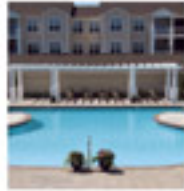
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Send to:

Kyllie Brinkley
 Program Manager
 E. V. Williams Center for Real Estate and Economic Development
 Old Dominion University
 2088 Constant Hall
 Norfolk, VA 23529

Telephone: (757) 683-5352

E-Mail: kbrinkle@odu.edu



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2011
HAMPTON ROADS
REAL ESTATE
MARKET REVIEW

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Author	David Machupa Cushman & Wakefield/THALHIMER
Survey Collection	Kyllie Brinkley E.V. Williams Center for Real Estate and Economic Development
Data Analysis/ Layout	David Chapman Old Dominion University
Financial Support	The E. V. Williams Center for Real Estate and Economic Development (CREED) functions and reports are funded by donations from individuals, organizations and the CREED Council.
Disclosure	The data used for this report are deemed reliable; however, neither Old Dominion University, the E. V. Williams Center for Real Estate and Economic Development, nor sponsoring companies and/or individuals makes any representation or warranty as to its accuracy.

General Overview

This report analyzes the 2010 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, freestanding 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 2010 and January 2011. 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 is divided into 35 retail submarkets (25 Southside submarkets and 10 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 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.

YEAR IN REVIEW

Moving into 2010 the market was cautiously optimistic. The prior year had left us with increased vacancy rates and reduced rental rates; the appetite of lenders was almost nonexistent for developments or acquisitions and, from a national level, there was a concern that the commercial real estate market bubble was going to burst as did the residential market. This concern further slowed the recovery of the Hampton Roads market, yet the market did recover.

Savvy tenants made the most of the market as landlords were willing to make concessions to fill vacant units; the result was decreased vacancy for the overall market and a slightly decreased average rental rate. In 2009 Dillard's closed both Chesapeake Square locations; in 2010, we welcomed Burlington Coat Factory to one of the stores and the other location is in the process of being redeveloped into a state of the art movie theater. TJ Maxx and PetSmart built new stores in the Harborview submarket, and Restaurant Depot opened in the former Value City in Virginia Beach.

Departing from past years, 2010 did not have a great deal of Big Box activity. Wal-Mart broke ground on a site they purchased in 2008 in the Edinburgh submarket. The Fresh Market relocation in Williamsburg was the only grocery store to commence construction in Hampton Roads. Having said that, we ended the year with the home improvement stores once again touring the market and evaluating sites.

Investment sales in the Hampton Roads retail market were few and far between. We have heard on a number of occasions that lenders are going to foreclose on nonperforming assets; this belief is keeping many buyers on the sideline. Buyers appear to be searching for the bottom of the market, waiting to swoop in and get the banks' nonperforming loans, yet the banks have not foreclosed in the large scale that we have been told will take place. The properties that were taken back are the same Williamsburg properties that struggled last year. The Williamsburg market was over built and that submarket continues to face challenges.

As we faced last year with Circuit City, one thing that we did not see this year was the exodus of a large retailer. We continue to watch Blockbuster, as the long-term viability of their product line is suspect. Blockbuster, like Circuit City, has some good sites and we can expect many of those to be re-tenanted in short order.

Overall, the Hampton Roads retail market remains stable. Due to our military presence, retailers tend to outperform overall national sales levels; these same military personnel provide a stable work force. As we settle into what we believe is the new reality, our expectations must remain realistic. Positive growth will take place next year, albeit at a slower rate than the market is accustomed and 2011 should outperform 2010 just as 2010 outperformed 2009.

HAMPTON ROADS MARKET SURVEY

The Hampton Roads retail market contains approximately 51,983,981 square feet of gross leasable area ("GLA") in 412 properties with an average asking rental rate of \$16.00 triple net. The US Census Bureau indicates the population of Hampton Roads is approximately 1.7 million resulting in a 30.58 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 the national average statistics.

Hampton Roads consist of two markets, the Southside and Peninsula. The Southside market has approximately 33,435,574 square feet, roughly 66% of the total square footage in the market, in 274 properties. The average asking rent for small shop space decreased by \$.16 over 2009 numbers to \$16.16 per square foot triple net. The decrease in rental rates was a boon to tenants and, as a result, the overall vacancy rate on the Southside decreased. In 2010 there was a decrease in the vacancy rate of .67% to 7.42%, while new construction added just 18,880 square feet to the Southside market.

The Peninsula also experienced some changes this past year. The 138 properties surveyed on the Peninsula had a total of 18,548,407 square feet of product. The average asking price of small shop space decreased \$.17 to \$15.65 per square foot triple net.



Market Overview Table

		Number of Properties	GLA in SF	Vacant SF	% Vacant	New Construction in SF	Occupied in SF	Absorption in SF
2011	Southside	274	34,019,555	2,523,754	7.42%	18,880	31,495,801	675,035
	Peninsula	138	18,548,407	2,175,793	11.73%	-	16,372,614	604,361
	Total	412	52,567,962	4,699,547	8.94%	18,880	47,868,415	1,279,396
2010	Southside	273	33,535,280	2,714,514	8.09%	302,352	30,820,766	(288,440)"
	Peninsula	136	18,160,963	2,392,710	13.18%	981,463	15,768,253	362,777
	Total	409	51,696,243	5,107,224	9.88%	1,283,815	46,589,019	74,337
2009	Southside	265	33,265,028	2,155,822	6.48%	275,252	31,109,206	238,525
	Peninsula	133	17,112,012	1,706,536	9.97%	-	15,405,476	(109,898)
	Total	398	50,377,040	3,862,358	7.67%	275,252	46,514,682	128,627
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

We saw a greater decrease in the vacancy rate on the Peninsula. The vacancy rate dropped 1.45% to 11.73%, and interest remains very strong for select submarkets. Despite adverse lending conditions, we will welcome two new projects to the Peninsula in 2011.

In 2009, we were left with a vacancy rate of 9.88% for the overall retail market in Hampton Roads, the highest we have experienced in the past decade. Landlords did not want a repeat of 2009 and became more aggressive at deal making. Savvy tenants took advantage of favorable market conditions thereby reducing the market vacancy rate to 8.94%. While we will face many of the same challenges as 2010 retail sales are up, supply is slowly reducing. Tenants continue to express interest in the Hampton Roads market.

We continue to move forward acknowledging that 2011 may bring some challenges with the unknowns of the capital markets and lender viability; however, the Hampton Roads retail market is more stable. As we are trending in all the right directions, the worst is now behind us.

RETAIL SUBMARKETS

SOUTHSIDE SUBMARKETS

There were 25 retail submarkets on the Southside this year. The largest Southside markets were Greenbrier and Military Highway, with combined square footage of 7,026,016 square feet. The overall average size of the submarkets was 1,337,423 square feet. The Greenbrier/Battlefield submarket, at 4,243,816 square feet, has one of the lowest vacancy rates at 4.88% and one of the highest small shop asking rates, \$20.03 per square foot triple net.

The range of vacancy rates in the Southside submarkets can be seen in the table below.

Southside By Submarket

	Number of Properties	GLA in SF	Vacant SF	% Vacant	Average Small Shop Rate PSF
Bay Front	5	283,551	3,854	1.36%	\$17.53
Birdneck/Oceanfront	4	191,655	11,511	6.01%	\$10.95
Campostella	6	332,904	80,800	24.27%	\$12.56
Chesapeake Square	9	2,218,786	82,805	3.73%	\$17.00
Churchland-Portsmouth/Harborview	13	986,880	47,729	4.84%	\$15.08
Dam Neck	7	1,509,037	28,900	1.92%	\$18.57
Downtown	4	1,329,283	31,475	2.37%	\$14.83
Ghent	9	391,588	41,269	10.54%	\$17.81
Great Bridge	17	1,363,132	107,928	7.92%	\$16.30
Greenbrier/Battlefield Boulevard	24	4,243,816	207,065	4.88%	\$20.03
Hilltop/Great Neck	12	1,485,168	88,854	5.98%	\$21.36
Holland/Green Run	10	863,663	50,242	5.82%	\$13.67
Indian River/College Park (Including Chesapeake)	5	666,183	74,265	11.15%	\$14.20
Kempsville	12	1,233,576	138,882	11.26%	\$15.75
Little Creek Road/Wards Corner/Ocean View	18	1,867,591	310,786	16.64%	\$14.38
Little Neck	11	1,435,803	147,297	10.26%	\$17.38
Lynnhaven Road (Virginia Beach Boulevard To Holland Road)	8	1,822,451	173,247	9.51%	\$18.80
Middle Portsmouth	15	1,768,265	176,988	10.01%	\$12.75
Military Highway/Janaf	16	3,366,181	140,750	4.18%	\$13.24
Newtown	12	638,344	91,408	14.32%	\$12.82
ODU	1	39,691	8,675	21.86%	\$19.00
Pembroke	23	2,716,994	335,491	12.35%	\$15.90
Princess Anne Road (From Kempsville Road To Holland Road)	15	1,854,589	46,745	2.52%	\$17.88
Smithfield	5	279,764	5,436	1.94%	\$17.00
Suffolk	13	1,130,660	91,352	8.08%	\$16.80
Total	274	34,019,555	2,523,754	7.42%	\$16.16

PENINSULA SUBMARKETS

There were 10 retail submarkets on the Peninsula with an average size of 1,854,841 square feet. The two largest Peninsula submarkets are now Patrick Henry and Williamsburg. While the Patrick Henry submarket is anchored by a regional mall, and has the lowest vacancy rate on the Peninsula, Williamsburg continues to struggle with over development.

The Patrick Henry submarket continues to be one of the most highly desired submarkets in Hampton Roads with 4,427,594 square feet and a vacancy rate of just 3.03%. During the past year, the Coliseum Central Submarket showed improvement with a reduction of the vacancy rate from 21.56% to 12.00%. This reduction decline can be attributed to the opening of Peninsula Towne Center.

Peninsula By Submarket

	Number of Properties	GLA in SF	Vacant SF	% Vacant	Average Small Shop Rate PSF
Coliseum Central	15	3,505,105	420,501	12.00%	\$17.38
Denbigh	15	1,785,121	405,169	22.70%	\$13.27
Foxhill/Buckroe/East Mercury	7	711,630	113,403	15.94%	\$13.80
Gloucester	8	894,676	107,840	12.05%	\$14.38
Hampton Misc	2	118,972	19,470	16.37%	\$10.75
Newmarket/Main <i>(To Include Hampton)</i>	13	1,389,156	274,274	19.74%	\$10.29
Patrick Henry/Oyster Point/Kiln Creek	32	4,427,594	134,012	3.03%	\$17.76
Poquoson	2	108,521	10,550	9.72%	\$15.00
Williamsburg	33	4,794,929	638,064	13.31%	\$19.10
York County	11	812,703	52,510	6.46%	\$14.25
Total	138	18,548,407	2,175,793	11.73%	\$15.65

RETAIL PRODUCT TYPE

The Neighborhood Center, as a product type, remains the predominant with 160 properties containing over 12 million square feet of GLA. The Community Center comprised over 10 million square feet. Both product types showed a decrease in vacancy in 2010.

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	162	12,224,492	18,880	1,379,030	11.28%	\$15.11	\$2.54
Community Center	58	10,073,618	-	1,218,966	12.10%	\$15.79	\$2.39
Fashion/Specialty Center	10	1,488,711	-	115,009	7.73%	\$23.78	\$3.94
Power Center	29	10,350,350	-	901,629	8.71%	\$20.41	\$3.27
Theme Festival Center	1	100,000	-	-	No data	No data	No data
Outlet Center	1	349,927	-	-	No data	No data	No data
Other	64	2,391,469	-	286,287	11.97%	\$15.67	\$2.92
Freestanding	77	8,050,908	-	397,674	4.94%	\$12.44	\$3.08
Mall	10	7,538,487	-	400,952	5.32%	\$20.50	\$17.75
Total	412	52,567,962	18,880	4,699,547	8.94%	\$16.00	\$2.70

Southside By Type

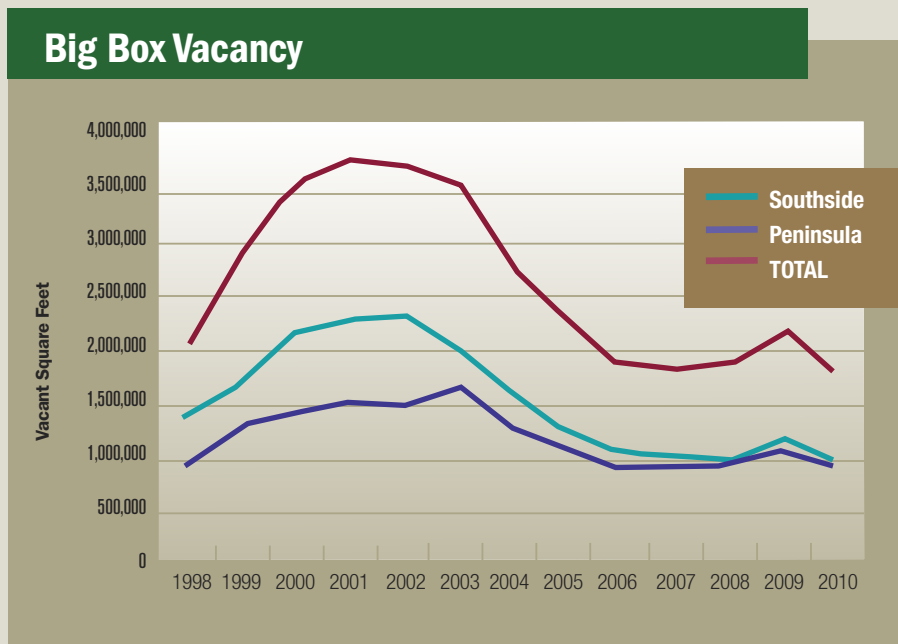
	Number of Properties	GLA in SF	New Construction in SF	Vacant SF	% Vacant	Average Small Shop Rate PSF	Average CAM PSF
Neighborhood Center	115	8,781,549	18,880	989,334	11.27%	\$15.30	\$2.55
Community Center	37	6,159,227	-	618,745	10.05%	\$15.60	\$2.38
Fashion/Specialty Center	8	1,005,711	-	54,846	5.45%	\$23.50	\$3.94
Power Center	19	6,267,303	-	336,250	5.37%	\$20.15	\$3.27
Theme Festival Center	1	100,000	-	-	No data	No data	No data
Outlet Center	-	-	-	-	No data	No data	No data
Other	44	1,556,985	-	149,645	9.61%	\$15.90	\$2.95
Freestanding	43	4,499,135	-	61,870	1.38%	\$13.63	\$3.08
Mall	7	5,649,645	-	313,064	5.54%	\$20.50	\$18.86
Total	274	34,019,555	18,880	2,523,754	7.42%	\$16.16	\$2.79

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	47	3,442,943	-	389,696	11.32%	\$14.66	\$2.15
Community Center	21	3,914,391	-	600,221	15.33%	\$16.12	\$2.35
Fashion/Specialty Center	2	483,000	-	60,163	12.46%	\$26.00	\$5.03
DPower Center	10	4,083,047	-	565,379	13.85%	\$20.85	\$2.79
Theme Festival Center	-	-	-	-	No data	No data	No data
Outlet Center	1	349,927	-	-	No data	No data	No data
Other	20	834,484	-	136,642	16.37%	\$15.20	\$2.38
Freestanding	34	3,551,773	-	335,804	9.45%	\$11.25	\$2.24
Mall	3	1,888,842	-	87,888	4.65%	No data	\$17.75
Total	138	18,548,407	-	2,175,793	11.73%	\$15.65	\$2.51

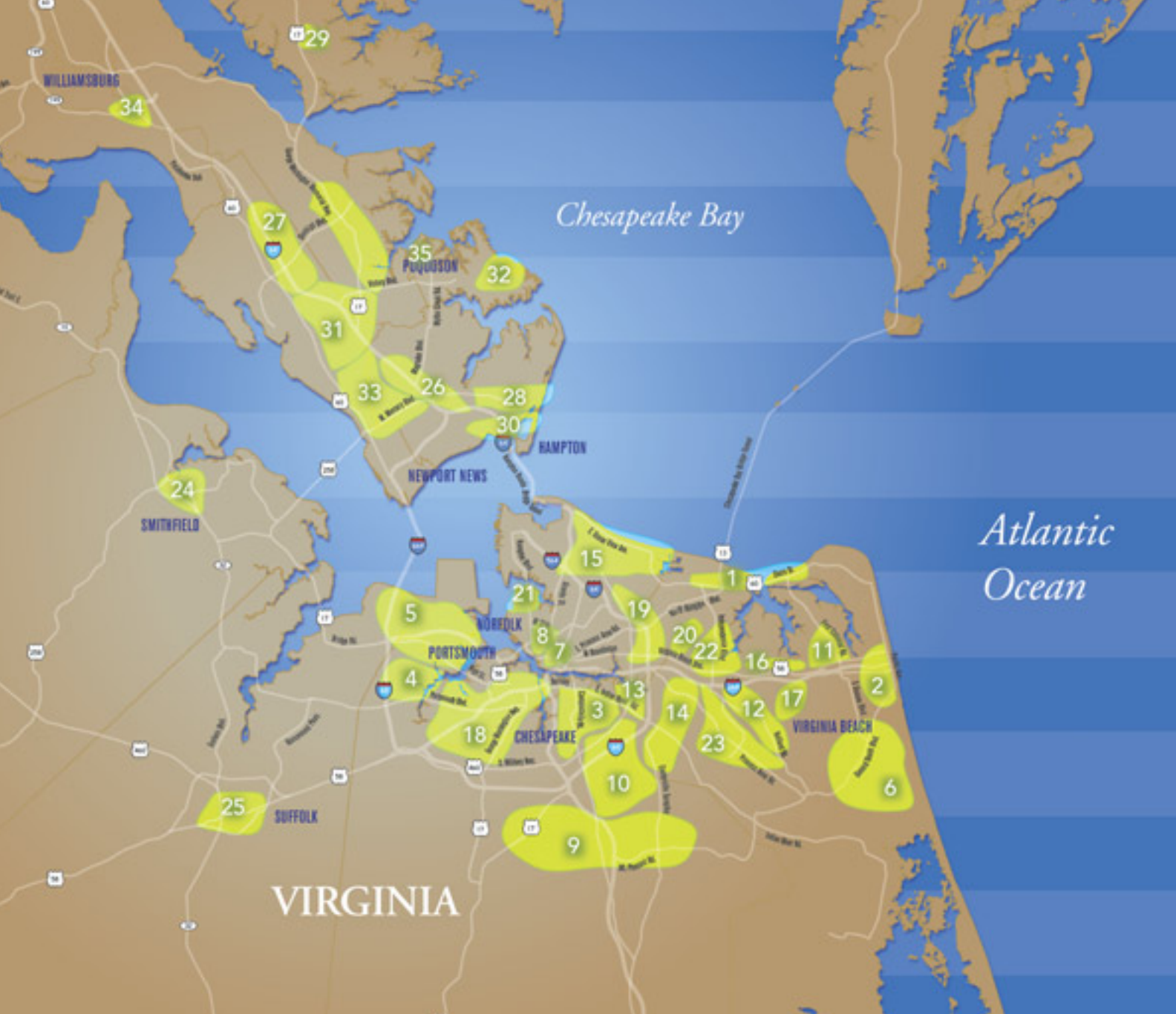
Big Box Vacancy

Big Box Vacancy in Hampton Roads decreased in 2010 to 1,717,593 square feet, a decrease of 373,805 square feet over last year's numbers. This number represents 37% of the total retail vacancy in the market. We did see some Big Box activity this past year. Wal-Mart is under construction at Edinburgh in Chesapeake on a site purchased in 2009 and Restaurant Depot opened in the former Value City on Virginia Beach Boulevard.



Big Box Vacancy

	2004	2005	2006	2007	2008	2009	2010
Southside	1,513,523	1,142,319	957,887	948,288	907,688	1,102,093	880,568
Peninsula	1,141,207	982,263	819,163	827,360	880,805	989,305	837,025
TOTAL	2,654,730	2,124,582	1,777,050	1,775,648	1,788,493	2,091,398	1,717,593



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 ODU
- 22 Pembroke
- 23 Princess Anne
- 24 Smithfield
- 25 Suffolk

Peninsula

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

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
Lake Shores Plaza Shopping Center	A	58,230
Marina Shores	G	40,500

BIRDNECK / OCEANFRONT

Birdneck SC	A	65,460
Farm Fresh	H	29,296
Harris Teeter	H	48,000
Linthorn 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	270,602
Chesapeake Square Mall	I	800,000
Crossroads Center at Chesapeake Square	D	332,464
Food Lion @ Chesp. Sq.	H	45,000
Home Depot	H	130,060
Lowe's	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 Place Shoppes	G	21,000
Churchland SC	A	149,741
Churchland Square	A	72,189
Grand	H	30,000
Harbourview Station East	D	217,308
Harbourview Station West	D	83,007
Marketcenter at Harbourview	A	65,750
Marketplace Square	A	12,461
Planet Fitness Plaza	A	52,966

Poplar Hill Plaza	B	102,326
Sterling Creek	A	75,660
Town Point Square	A	58,989

DAM NECK

Dam Neck Crossing	B	138,571
Dam Neck Square	A	67,917
General Booth Plaza	A	73,320
Red Mill Commons	D	750,000
Red Mill Walk	B	240,000
Sandbridge SC	A	66,800
Strawbridge Marketplace	A	172,429

DOWNTOWN

Berkley Center	A	47,945
Church Street Crossing	A	51,000
MacArthur Center Mall	I	1,100,000
Waterside Festival Marketplace	I	130,338

GHEENT

201 Twenty One	A	15,616
21st Street Pavilion	G	21,000
Center Shops	A	139,081
Colley Village	A	44,585
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	278,023
Cedar Lakes Center	A	35,659
Centerville Crossing	A	50,000
Crossings at Deep Creek	A	68,970
Dominion Marketplace	A	73,103
Dominion Plaza SC	A	63,733
Glenwood Square	A	73,859
Great Bridge SC	A	156,937
Hanbury Village	A	100,560
Harbor Watch Shoppes	G	21,505
Las Gaviotas	A	82,000
Millwood Plaza	G	16,930
Mt. Pleasant Shopping Center	A	100,000
Mt. Pleasant Village	A	39,970
Wilson Village	A	52,500
Woodford Shoppes	B	9,760
Woodford Square	B	139,623

GREENBRIER / BATTLEFIELD BOULEVARD

Battlefield Marketplace	G	30,000
Chesapeake Crossing	B	287,679
Country Club Square	H	12,600
Crossways Center I & Eden Way Shops	D	438,725
Crossways II	D	152,686
Edinburgh Commons	D	195,111
Edinburgh East	D	133,000
Gainsborough Square	A	88,862

Greenbrier Mall	I	899,665
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
Lowe's	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
Towne Place at Greenbrier	C	127,109
Village Square	G	15,000
Volvo Parkway SC	G	41,874
Wal-Mart 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	220,413
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	42,709
Chimney Hill	B	207,175
Green Run Square	A	75,000
Holland Plaza SC	A	165,663
Holland Windsor Crossing	B	47,400
Lowe's	H	125,323
Lynnhaven Green	A	50,838
Rosemont Center	A	12,700
Shipp's Corner	A	63,355
Timberlake SC	A	73,500

INDIAN RIVER / COLLEGE PARK

College Park I & II	B	181,902
College Park Square	H	183,874
Indian River Plaza	B	126,017
Indian River SC	A	123,752
Tidewater Plaza	A	50,638

KEMPSVILLE

Arrowhead Plaza	A	97,006
Fairfield SC	B	239,763
Kemps Corner Shoppes	G	25,929
Kemps River Center	A	62,507
Kemps River Crossing	B	245,268
Kempsville Crossing	A	111,394
Kempsville Plaza	A	60,778

Parkway Marketplace	A	26,602	Manor Shops	G	14,573	Haygood SC	B	178,533
Providence Square SC	A	135,915	Old Towne Marketplace	A	42,000	Haynes	H	228,000
University Shoppes	A	26,100	Rodman SC	A	45,000	Hunter's Mill Shoppes	G	22,827
Witchduck Exchange	A	50,000	Super Wal-Mart	H	200,000	Loehmann's Plaza	C	139,380
Woods Corner	A	152,314	Triangle SC	A	82,430	Northern Super Center	G	36,588

LITTLE CREEK ROAD / WARDS CORNER / OCEAN VIEW

Ames/Kroger	B	140,568
Dollar Tree Shopping Center	A	51,415
East Beach Shoppes	A	63,000
Farm Fresh - Little Creek	H	66,000
Glenwood Shoppes	A	53,255
Little Creek and Tidewater Shops	B	119,820
Little Creek East SC	B	202,000
Little Creek Square	A	82,300
Meadowbrook S C	G	27,260
Mid-Town	A	75,768
Mid-Way SC	G	31,000
Ocean View SC	A	73,658
Roosevelt Gardens SC	A	109,175
Southern Shopping Center	B	239,719
Suburban Park	B	116,113
Super Wal-Mart	H	225,000
Wards Corner Strip	A	61,540
Wedgewood SC	A	130,000

LITTLE NECK

Birchwood SC	A	358,635
Home Depot	H	130,060
Kroger	H	45,000
London Bridge Plaza	B	114,584
Lowe's	H	160,000
Lynnhaven 2600	A	13,326
Lynnhaven Convenience	G	36,900
Lynnhaven Shopping Center	B	191,136
Princess Anne Plaza West	C	77,558
Regatta Bay Shops	G	60,000
Sam's Club Plaza	D	248,604

LYNNHAVEN ROAD

Lynnhaven Crossing	G	55,550
Lynnhaven East	B	97,303
Lynnhaven Mall	I	1,293,100
Lynnhaven North	B	176,254
Lynnshores Shopping Center	G	12,692
Lynnway Place	G	30,213
Parkway Plaza	G	44,227
Wal-Mart	H	113,112

MIDDLE PORTSMOUTH

Afton SC	A	106,500
Airline Marketplace	A	69,000
Airline Plaza	A	99,549
Alexander's Corner Shopping Center	A	50,826
Elmhurst Square	A	66,250
Gilmerton Square	G	43,236
Manor Commerce Center	G	67,060

Victory Crossing	D	500,000
Victory West Shopping Center	A	167,102
Williams Court	B	214,739

MILITARY HIGHWAY / JANAF

3455 Azalea Garden Road	A	73,180
Best Square	B	140,030
Broad Creek SC	D	205,417
Bromley SC	A	106,200
CostCo	H	110,000
Dump/Mega Office	G	115,854
Farm Fresh	H	60,000
Food Lion #170	H	41,000
Grand Outlet	H	35,000
Janaf	D	878,381
Lowe's	H	115,000
Military Crossing	D	195,003
Military Triangle	G	10,061
Super K-Mart & Shoppes	B	200,000
Super Wal-Mart	H	224,513
The Gallery @ Military Circle	I	856,542

NEWTOWN

Cypress Plaza SC	A	59,012
Cypress Point	A	117,958
Diamond Springs North (Shopping Center)	A	23,880
Diamond Springs Shoppes	H	18,840
Newpointe SC	A	92,978
Newtown Baker Crossing	A	91,687
Newtown Center	G	19,876
Newtown Convenience Center	G	19,800
Northampton Business Center	G	85,000
Thomas Corner SC	G	23,557
Weblin Square	G	31,552
Wesleyan Commons Shopping Center	A	54,204

ODU

First Floor Retail Shops at University Village Apartments	G	39,691
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PEMBROKE

Aragona SC	A	69,700
Best Buy	H	45,000
Circuit City	H	38,414
Collins Square	A	123,870
Columbus Village East	A	63,000
Columbus Village Entertainment Center	E	100,000
Dean Plaza (Former HQ)	D	140,000
Former Bloom Brothers	H	50,400
Giant Square	B	150,000
Goodwill	H	34,000
Haverty's	H	55,000

Haynes	H	228,000
Hunter's Mill Shoppes	G	22,827
Loehmann's Plaza	C	139,380
Northern Super Center	G	36,588
Pembroke East	B	27,200
Pembroke Mall	I	570,000
Pembroke Meadows SC	A	81,592
Pembroke Place	B	165,000
Pembroke Plaza	G	34,900
Roomstore	H	50,000
The Town Center of Virginia Beach	C	313,590

PRINCESS ANNE ROAD

Brenneman Farm SC	A	228,197
Courthouse Marketplace	A	122,000
Home Depot	H	260,000
Kempsville Marketplace	A	71,460
Landstown Commons	D	505,766
Lynnhaven Square S C	G	22,933
Parkway SC	A	64,820
Pleasant Valley Marketplace	A	88,107
Princess Anne Marketplace	B	209,500
Princess One SC	A	84,725
Salem Crossing	D	92,407
Salem Lakes Marketplace	A	42,087
Salem Lakes SC	A	37,087
Woodtide SC	A	25,500

SMITHFIELD

Cypress Run SC	G	25,000
Eagle Harbor	A	77,400
Shoppes at Eagle Harbor	A	23,000
Smithfield Plaza	B	89,120
Smithfield Square	A	65,244

SUFFOLK

Bennetts Creek Crossing	A	109,812
Bennetts Creek Food Lion	A	64,544
Harbor View Shoppes	A	17,000
Holland Plaza	A	69,345
Kensington Square	A	60,000
Lowe's	H	150,000
Oak Ridge	A	38,700
Suffolk Plaza	B	174,221
Suffolk Plaza West	A	60,000
Suffolk SC	B	165,803
Suffolk Specialty Shops	G	15,200
Suffolk Village SC	G	11,875
Wal-Mart 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	Brentwood SC	A	53,600	James York Plaza	B	137,708
Coliseum Square	G	45,041	Dresden SC	G	35,000	Kingsgate Green	B	138,348
Hampton Towne Centre	D	376,100	Forest Park Square	B	150,000	Lowes	H	163,000
Hampton Woods	A	89,092	Francisco Village	A	55,865	Marketplace Shoppes	G	32,026
Home Depot	H	130,060	Hampton Plaza	B	173,199	Marketplace Shopping Center	A	36,000
Peninsula Towncenter	I	994,235	Hilton SC	A	74,000	Monticello Marketplace	B	299,792
Riverdale Plaza	D	280,133	Midway Shopping Center	G	58,780	Monticello SC	A	82,000
Sports Authority	H	40,000	Newmarket South	D	368,085	New Town Shops on Main	C	253,000
Target	H	122,000	Plaza @ Newmarket	B	117,377	Norge Crossing	H	52,000
The Power Plant	D	621,150	Warwick Center	A	150,000	Olde Towne SC	G	30,000
Todd Center & Todd Lane Shops	B	242,000	Warwick Village	A	75,400	Prime Outlets	F	349,927
Wal-Mart Super Center	H	193,316				Quarterpath Crossing	A	85,600
			PATRICK HENRY / OYSTER POINT / KILN CREEK			Settlers Market at New Town	B	195,000
DENBIGH			Bayberry Village	A	72,883	Staples	H	37,400
Beaconsdale SC	A	28,000	Best Buy Building	H	135,000	The Marquis (Phase I)	D	1,000,000
Denbigh Speciality Shops	G	24,504	City Center	C	230,000	The Shops at High Street	B	114,449
Denbigh Village Centre	B	334,299	Commonwealth Center	G	30,279	Village Shops at Kingsmill	G	82,200
Denbigh Village Shopping Center	H	327,322	Fairway Plaza	G	37,950	Wal-Mart SuperCenter	H	210,000
Ferguson Center	G	118,000	Glendale SC	G	30,000	Williamsburg Crossing	A	149,933
Former Hills Denbigh	H	86,589	Grand Furniture	H	35,000	Williamsburg Farm Fresh	A	79,188
Jefferson Crossing			Harris Teeter	H	52,334	Williamsburg Marketcenter	B	120,920
(formerly Denbigh Crossing)	A	145,000	Haverty's	H	45,000	Williamsburg Outlet Mall	I	180,000
Kmart	H	115,854	Haynes	H	170,000	Williamsburg Pavillion Shops	G	50,000
Lee Hall Plaza	A	36,000	Hiddenwood SC	A	108,000	Williamsburg SC I & II	B	251,000
Newport Crossing	B	200,088	Jefferson Commons	D	400,000	Williamsburg Towne and Cnty	A	49,802
Richneck Shopping Center	A	63,425	Jefferson Greene	G	57,430	WindsorMeade Marketplace	D	174,379
Stoneybrook Shopping Center	A	74,340	Jefferson Plaza	D	178,200	Yankee Candle	H	42,000
Tumberry Crossing	A	53,775	Kroger	H	55,000			
Village Square	A	40,000	Lowes	H	120,000	YORK COUNTY		
Warwick Denbigh SC	B	137,925	Market Place @ Oyster Point	A	69,660	Grafton SC	A	32,000
			Newport Marketplace	D	450,000	Heritage Square	A	73,665
FOXHILL / BUCKROE / EAST MERCURY			Newport Square	B	184,126	Kiln Creek Center	A	45,700
Buckroe SC	A	76,000	Office Depot	H	30,122	Lakeside 17	H	8,400
Farm Fresh Phoebus	H	39,000	Oyster Point Plaza	A	73,197	Marketplace @ Yorktown	A	73,050
Kmart	H	94,500	Oyster Point Square	A	83,089	Patriots Square	A	47,231
Langley Square	A	154,103	Patrick Henry Mall	I	714,607	Shady Banks SC	A	56,634
Marketplace @ Nickerson	A	70,450	Patrick Henry Place	A	96,391	Wal-Mart SuperCenter	H	220,000
Nickerson Plaza	A	83,849	Sam's Club	H	133,880	Washington Square Shopping Center	B	183,403
Willow Oaks Village Square S.C.	B	193,728	The Shoppes at Oyster Point	G	30,000	York Square	A	48,720
			Victory Center@ Kiln Creek	A	61,000	Yorkshire Downs	G	23,900
GLOUCESTER			Village Square @ Kiln Creek	B	263,000			
Food Lion	H	40,000	Villages of Kiln Creek	G	45,300			
Hayes Plaza SC	A	52,651	Wal-Mart Super Center	H	201,146			
Hayes SC	A	100,000	Yoder Plaza SC	D	235,000			
Home Depot	H	100,000						
Lowe's	H	125,000	POQUOSON					
Shoppes at Gloucester	B	82,025	Poquoson SC	A	57,458			
Wal-Mart Super Center	H	220,000	Wythe Creek Plaza SC	A	51,063			
York River Crossing	B	175,000						
			WILLIAMSBURG					
HAMPTON MISCELLANEOUS			Colony Square	A	66,806			
Kecoughtan SC	A	64,327	Ewell Station	A	68,048			
The Shops at Hampton Harbor	G	54,645	Festival Marketplace	G	16,216			
			Gallery Shops	G	18,187			
NEWMARKET / MAIN			Governor's Green SC	A	100,000			
4113 W Mercury Blvd.	H	49,770	Home Depot	H	130,000			
4205 W. Mercury Blvd.	H	28,080						

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Author William C. Throne, SIOR, CCIM, ALC
Vice President, Cushman & Wakefield/THALHIMER

Data Preparation Stephanie Sanker, SIOR, CCIM
Industrial Brokerage, S.L. Nusbaum Realty Co.

Survey Coordination Stephanie Sanker, SIOR, CCIM
Industrial Brokerage, S.L. Nusbaum Realty Co.

Reporters

Greenbrier	Christine Kaempfe
Bainbridge/S. Elizabeth River Area	Chip Worley
Cavalier Industrial Park	Pat Mumey
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 Area	Bobby Beasley
Portsmouth	Sam Walker
Suffolk	Bill Throne
Isle of Wight	Billy King
Copeland/Lower Peninsula	Clay Culbreth
Oyster Point/Middle Peninsula Area	Bobby Phillips
Oakland/Upper Peninsula Area	Clay Culbreth
Williamsburg Extended Area	Bobby Phillips

Financial Support The E. V. Williams Center for Real Estate and Economic Development (CREED) functions and reports are funded by donations from individuals, organizations and the CREED Council.

Disclosure The data used for this report are deemed reliable; however, neither Old Dominion University, the E. V. Williams Center for Real Estate and Economic Development, nor sponsoring companies and/or individuals makes any representation or warranty as to its accuracy.

General Overview

This report analyzes the 2010 industrial real estate conditions within the Virginia Beach-Norfolk-Newport News, VA-NC Metropolitan Statistical Area (the MSA), 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 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 property that is 100% occupied by a business that is the same as or is related to the owner of the building.
- Leased properties are defined as 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 as a minimum).

The survey excludes the following types of properties:

- Land
- Warehouse or shop facilities on shipyard properties.
- Warehouse or 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 for key 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 2010) indicate that the Hampton Roads industrial market currently encompasses 106,691,857 square feet of space located in 2,866 buildings throughout the Region. This is a decrease of 2,030,258 square feet, or 1.9% from last year's survey. The decrease is primarily due to the demolition of approximately 1 million square feet on the former Ford plant and increased accuracy of surveyors over previous years. Totals may differ from other market surveys due to the self-imposed limitations established by the ODU CREED methodology described above.

INTRODUCTION

The Hampton Roads industrial market continues to grow in complexity, while 2010 was mired in mediocrity. In 2010, overall vacancy rates remained essentially steady at 12.48%, deal velocity and absorption slowed, rents and sales prices declined, and there were no substantial deliveries.

On the other side of the coin, interest in the Region continues from outside the area with a number of companies considering Hampton Roads for new manufacturing and distribution centers. Port volumes are increasing and a few large transactions took place in anticipation of a market rebound. John Wright, President of Waverton Associates, developer of a world class 300 acre, rail served industrial park in Suffolk relates: "Interest in Waverton Commerce Park has not abated over the last few years, and in 2010 we got close to landing two national prospects. We see the increase in manufacturing nationwide and the upturn in export traffic through the Port of Virginia as a good leading edge indicator of where Hampton Roads can go in the next few years."

VACANCIES

In 2010, the Hampton Roads Region saw vacancy rates decrease marginally from a 2009 level of 12.94% to 12.48%. Only four of the 16 submarkets were spared increasing vacancy rates.

Submarkets that improved:

- Norfolk Commerce Park/Central Norfolk saw a decrease in vacancy rate from 38.41% to 16.3%. The former Ford manufacturing plant demolished almost 1.6 million square feet of obsolete space. The result was a decrease in total square footage of space, a reduction in vacant space, and the decline in vacancy rate.
- Suffolk saw a minor reduction from 19.13% to 18.27% with modest absorption. Caspari, Inc., a distribution company, leased 60,762 square feet at the Regional Commerce Center off Rt. 58 and Rt. 460. Northern Suffolk (Northgate and Bridgeway Commerce Park) also saw absorption.
- Oyster Point/Middle Peninsula maintained strong occupancy rates, with only 157,203 square feet available in a market of 4.3 million square feet.
- Isle of Wight. Cost Plus took their excess space off the market, thereby reducing vacancy in the market by 240,000 square feet.

Markets that fared significantly worse in 2010 include:

- The City of Chesapeake (Greenbrier, Cavalier, and Bainbridge/South Elizabeth River) saw overall vacancy rise from 1,795,076 square feet to 2,429,786 square feet, a 35% increase from 8.8% to 11.88%. The addition of the Chesapeake Hardwoods accounted for much of the increase, with Greenbrier and Cavalier each adding vacant space.
- Airport Industrial Park, Virginia Beach. Vacancy rates increased to 18.35% from 9.67%. 318,000 square feet of (primarily) older warehouse and distribution space came on line in 2010.

Southside Hampton Roads finished 2010 with a vacancy rate of 13.24% compared to 14.29% for 2009, improving slightly. The Peninsula edged up to 10.59% from 9.49% a year ago. Overall Hampton Roads actual vacancy in 2010 reached 13,313,836 square feet compared to 14,071,871 in 2009.

TABLE 1 2011 ODU Hampton Roads Industrial Survey

Submarket Totals

Submarket	City	Bldgs Surveyed	Reporter	Total Sq Ft	Vacancy Sq Ft	Vacancy %
Greenbrier Area	Chesapeake	283	Kaempfe	8,587,634	956,633	11.14%
Bainbridge/S. Elizabeth River Area	Chesapeake	143	Worley	5,835,039	659,621	11.30%
Cavalier Industrial Park Area	Chesapeake	189	Mumey	6,075,045	813,532	13.39%
Norfolk Commerce Park/ Central Norfolk Area	Norfolk	144	Remick	5,442,588	887,018	16.30%
Norfolk Industrial Park Area	Norfolk	352	Dickinson	10,196,224	1,201,596	11.78%
West Side/Midtown Norfolk Area	Norfolk	271	King	6,418,873	576,482	8.98%
Lynnhaven Area	Virginia Beach	283	Baker	8,132,331	1,141,225	14.03%
Greenwich/Cleveland Streets Area	Virginia Beach	125	Beasley	3,063,856	203,304	6.64%
Airport Industrial Park Area	Virginia Beach	72	Beasley	3,637,737	667,375	18.35%
City of Portsmouth	Portsmouth	161	Walker	4,221,156	303,145	7.18%
City of Suffolk	Suffolk	124	Throne	11,578,012	2,115,318	18.27%
Isle of Wight	Isle of Wight	30	King	2,970,400	556,276	18.73%
Southside Totals		2,177		76,158,895	10,081,525	13.24%
Copeland/Lower Peninsula Area	Peninsula	370	Culbreth	12,139,266	2,038,564	16.79%
Oyster Point/Middle Peninsula Area	Peninsula	123	Phillips	4,330,663	157,203	3.63%
Oakland/Upper Peninsula Area	Peninsula	134	Culbreth	4,940,030	571,891	11.58%
Williamsburg Extended Area	Peninsula	62	Phillips	9,123,003	464,653	5.09%
Peninsula Totals		689		30,532,962	3,232,311	10.59%
Totals		2,866	Sanker	106,691,857	13,313,836	12.48%

Building Sales

Sales activity levels fell in 2010. Total sales transactions are shown below for the past four years, comparing number of building sales with average sales prices.

Year	Total Sales	Average Size	Average Price Per Square Foot
2007	28	21,901	\$93.02
2008	60	29,828	\$70.15
2009	46	17,377	\$68.44
2010	23	48,200	\$27.63

A few analytical notes:

1. **Number of Sales:** The data certainly reflects the general economy and national industrial market trends. Financing in Hampton Roads has been problematic. Hopefully the trend line has bottomed in 2010.
2. **Average Size:** The 2010 average of 48,200 square feet is a result of four buildings sold over 100,000 square feet, and one over 450,000. At the peak of the market in 2008, only three buildings sold exceeded 100,000 square feet.

3. **Average Price Per Square Foot:**
Buildings sold in 2010 tended to be larger, clearly distressed properties such as 201 West Dexter Street in Chesapeake, 3800 Village Avenue in Norfolk and 2211 Elliott Avenue in Portsmouth. All suffered from a combination of functional obsolescence/deferred maintenance and were deeply discounted.

As a result, the industrial market has produced a self-induced drag on sales: Healthy companies choosing or needing to wait, and the lack of buyers forcing prices downward, in turn restricting their ability to sell and move to better facilities.

In contrast, few quality industrial buildings from 10,000 to 30,000 square feet (arguably the core size range for industrial users in Hampton Roads) traded in 2010. In 2008, 24 buildings sold in this square footage range. In 2010, only three traded. One possible conclusion: sellers who sell are truly distressed and buyers who buy are looking for deep discounts. Many companies are choosing to 'stand pat' in lieu of selling and relocating. Reasons include:

1. Uncertainty in the future of business regulation and taxation;
2. Growth and expansion as a corporate goal has generally been replaced with a drive toward greater efficiency and reduction in debt;
3. A depressed real estate market;
4. A shortage of prospective buyers, causing concern about extended marketing periods;
5. Banking pressures to reduce overall debt load, including operational debt, lines of credit, equipment and real estate;
6. Difficulty in obtaining acquisition financing with favorable terms to fund expansion and/or renovation.

As a result, the industrial market has produced a self-induced drag on sales: Healthy companies choosing or needing to wait, and the lack of buyers forcing prices downward, in turn restricting their ability to sell and move to better facilities.

Representative Building Sales

201 Dexter Street, Chesapeake	December 2010	457,501 SF	\$6,000,000	\$13.11 per SF
215 Suburban Drive, Suffolk	December 2010	102,055 SF	\$4,150,000	\$40.66 per SF
2211 Elliot Avenue, Portsmouth	April 2010	76,046 SF	\$1,600,000	\$21.04 per SF
3800 Village Avenue, Norfolk	March 2010	100,000 SF	\$2,000,000	\$20.00 per SF
715 Industrial Park Drive, Newport News	January 2010	4,480 SF	\$305,000	\$68.08 per SF
1201 West Olney Road, Norfolk	April 2010	4,979 SF	\$350,000	\$70.30 per SF
615 Chautauqua Avenue, Portsmouth	July 2010	8,206 SF	\$360,000	\$43.87 per SF
1445-1453 Miller Store Road, Virginia Beach	October 2010	40,000 SF	\$2,915,000	\$72.83 per SF

Leasing

As expected, current vacancy rates have driven lease rates downward as landlords have worked to attract or retain tenants. In 2009 smaller spaces were less susceptible to rate retreat, but in 2010, all square foot sizes were vulnerable. High bay distribution buildings continued to suffer, with older obsolete buildings begging for tenants. In outlying areas, rents could be found as low as \$1.00 per square foot.

Free rent is a preferred concession, with financing for high levels of tenant improvements difficult to obtain for some landlords. One to two months of free rent for each year of lease term is not uncommon.

Representative Leasing

1140 Azalea Garden Road, Norfolk	44,450 SF	\$4.00	3 years
1431 Baker Road, Virginia Beach	38,580 SF	\$4.35	7 years
6701 Bridgeway Business Center, Suffolk	20,450 SF	\$3.50	5 years
3732 Cook Boulevard, Chesapeake	23,580 SF	\$4.95	7 years
905 Live Oak Drive, Chesapeake	5,000 SF	\$5.25	3 years
4840 Brookside Court, Norfolk	18,900 SF	\$4.76	5 years
3745 Progress Road, Norfolk	32,000 SF	\$3.25	4 years
680 Carolina Road, Suffolk	7,695 SF	\$3.50	3 years
6900 Harbour View, Suffolk	31,500 SF	\$5.45	5 years
2101 Aluminum Avenue, Hampton	32,000 SF	\$4.75	7 years
720 Greenlawn Avenue, Hampton	44,000 SF	\$3.50	3 years

Rents For Available Spaces By Size Range 2010

<5,000 square feet	\$5.00-\$6.50
5,000 to 20,000 square feet	\$4.50-\$6.00
20,000-40,000 square feet	\$3.25-\$5.25
40,000-60,000 square feet	\$2.00-\$4.50
>60,000 square feet	\$1.00+



Major Market Activity

Aside from normal market transactions, there have been a number of significant industrial market developments worthy of note.

1. *Jacoby Development, former Ford Plant.* Purchase of the property was imminent as 2010 came to a close by Atlanta Developer Jacoby Development. The City of Norfolk approved bond financing of \$12 million to assist in the purchase, demolition and improvement of the property including the demolition of 1.6 million square feet in specialized manufacturing space, while 662,450 square feet of warehouse and manufacturing space remains along with acreage available for development.
2. *International Paper.* A major employer in western Hampton Roads, this closure was a blow to the employment market. In addition to the Franklin mill, International Paper owns a number of other available industrial buildings in Hampton Roads in Cavalier Industrial Park in Chesapeake, Suffolk and Newport News submarkets. The International Paper property is not included in the ODU Survey due to its location in Isle of Wight County traditionally outside the survey boundaries.
3. *Kinder Morgan* purchased 41 acres to add to their terminaling operations on Freeman Avenue in Chesapeake along the Elizabeth River.
4. *201 West Dexter Street, Chesapeake.* The sale of this 457,501 square foot industrial building on 21 acres on South Dexter Street demonstrates that creativity helps in today's market. The sale included a corporate bankruptcy filing; a sale of debt on the property; an auction of the real estate; and investors looking for a great deal to hold for future development. Ultimate sales price: \$6 million, or \$13.11 per square foot.
5. *215 Suburban Drive, Suffolk.* One local company expanded in 2010 with the purchase of a 102,000 square foot building in eastern Suffolk. Kerma Medical relocated from Portsmouth almost doubling in size and achieving greater manufacturing efficiencies.
6. *Becton Dickenson.* One that got away. Becton Dickenson was searching for 600,000 square feet with expansion to 1,000,000 square feet in Virginia and North Carolina. North Carolina got the requirement. This deal reflects the strengths and some of the challenges facing Hampton Roads in attracting top quality industrial companies to the area.

Regional Influences on the Local Market

Beyond real estate transactions, the following events occurred in 2010 that will influence the Hampton Roads Industrial market for years to come.

1. The Port of Virginia

- MAERSK/Port of Virginia lease. In Fall 2010, the Port of Virginia and APM Terminals signed a 20 year lease agreement assigning operational control of this 'state of the art' terminal to Virginia International Terminals, the operating arm of the Port of Virginia. The APM facility is equipped with advanced automated cranes and immediate rail access to the CSX and Norfolk Southern Class I rail lines.
- TEU volumes (import and export) at the Port of Virginia were up in 2010 by 8.9% to 1,859,018 TEU's, but still less than 2005 levels. Export volume exceeded import volume 54% to 46%.

Commenting on port volumes, Neil Doyle of CenterPoint Properties relates: "Though port volumes, as measured by the Virginia Port Authority in TEU's, seem to indicate a clear rebound in trade in 2010, its effect on the industrial real estate market in Hampton Roads has yet to be realized. Or has it? One would argue that the local industrial market is undersized for the port volumes, yet we still see double digit vacancy. There is disconnect there (be it product type, location, or other factor) with space offered to users. 2011 and 2012 should offer us a few more pieces of this puzzle and begin to foreshadow the future of the ports and the local industrial real estate market allowing those with a vested interest a road map going forward."

- Norfolk Southern and the Heartland Corridor. In September, trains rolled to Columbus, Ohio and Chicago, Illinois along the new Heartland Corridor. An investment of \$320 million in both public and private funds allow double stacked trains to reduce the distance to Chicago by 230 miles, cutting delivery time by a day and a half, and doubling the potential container volume per car.

Conclusion: HREDA and the Year Ahead

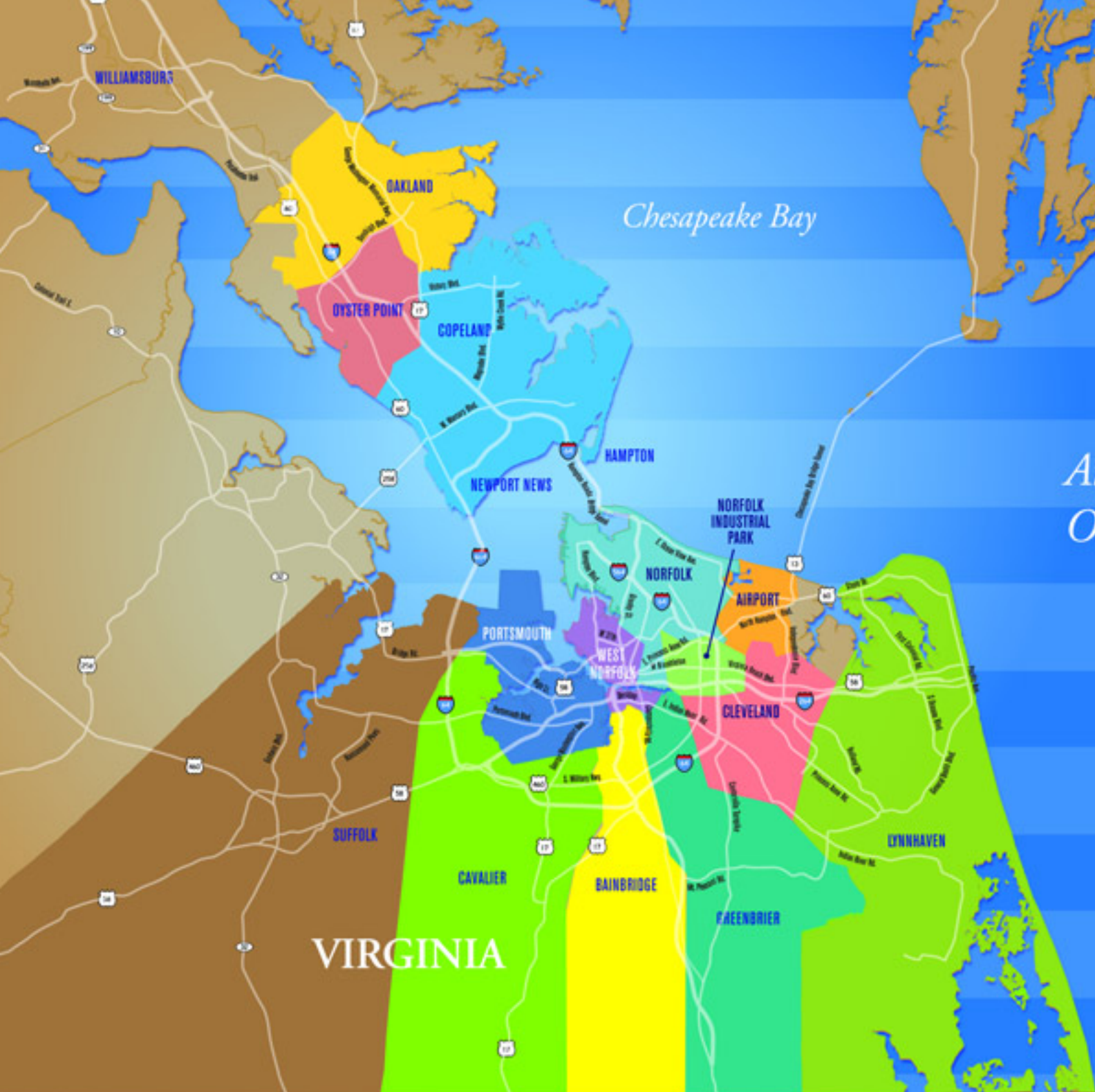
The *Hampton Roads Economic Development Alliance December Business Attraction Report* for 2010 is one report card for the Region. Reporting on activity for 2010 as it compares to previous years, the report presents the following:

Project Year	2007	2009	YTD December 2010
Projects	n/a	146	160
Prospect Visits	206	42	51
Announcements	20	5	5
Capital Investment (millions)	\$94.27	\$18.75	\$8.2
Square footage	772,850	115,700	88,100

Clearly the Hampton Roads industrial market is suffering. Whether 2010 represented 'bottom' is open to speculation. The last time the local industrial market experienced vacancy rates above 12%, the recovery took three years to return to less than 10%, and another five years to reach a norm of around 7%.

Looking forward to 2011, 'ground level' business users are looking at varied economic indicators in the marketplace to gauge where their businesses are going. Industrial companies in the Hampton Roads MSA are setting their sights on a wide variety of market influences, including trend lines in sales volumes, energy costs and production expenditures, in projecting performance levels in 2011.

For industrial companies, both large and small, the instability in the marketplace experienced during the last several years has changed the structure of how business is done. Recovery efforts and sales volume in 2010 indicate that the trend line is pointed in the right direction offering a modest degree of optimism for 2011 and beyond. As we move out of 2010, the Industrial real estate market is looking for measured steady growth back to health.



Industrial Submarkets

Southside

Airport Industrial Park
 Bainbridge
 Cavalier
 Central Norfolk
 Cleveland
 Greenbrier

Lynnhaven
 Norfolk Industrial Park
 Portsmouth
 Suffolk
 West Norfolk

Peninsula

Copeland
 Oakland
 Oyster Point
 Williamsburg Extended



2011

HAMPTON ROADS
REAL ESTATE
MARKET REVIEW

OFFICE

Author

Maureen G. Rooks
Vice President, Jones Lang LaSalle

Data Analysis

Nicolas Politas
Research & Financial Analyst
Jones Lang LaSalle

Financial Support

The E. V. Williams Center for Real Estate and Economic Development (CREED) functions and reports are funded by donations from individuals, organizations and the CREED Council.

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General Overview

The Hampton Roads office market ended 2010 with relative stability and with statistical performance reflecting a slow year-end turn towards recovery and potential growth in 2011. Representing a tenant-oriented marketplace driven by economic incentives, a notable inventory of new supply, and stagnant leasing activity, the Hampton Roads office market is looking to market performance during the first two quarters of 2011 as an important predictor of overall market recovery characterized by positive absorption and decreasing vacancy rates.

The overall office vacancy rate for Hampton Roads remained a steady 14.6 percent at year-end 2010 bearing little traction from the year-end 2009 vacancy rate of 14.5 percent for the region. However, Hampton Roads did outperform the National Office Market vacancy of 16.2 percent and demonstrated relative market strength in comparison with other regional markets



METHODOLOGY

The information in this report relies on market reports from the Brookings Institution, CoStar and individual interviews of local office brokers. The methodology or parameters of size included in the report for all of Hampton Roads were 19,000 SF and higher for the largest completed lease transactions in 2010; 5,000 SF and higher were included for the top completed office building sales transactions in 2010; approximately five acres and higher were included for the top completed office land sales transactions in 2010; and 19,000 SF and higher were included for top new construction deliveries in 2010.

OFFICE MARKET ACTIVITY LIKELY TO PICK UP IN 2011

Economy

The economy in Hampton Roads has remained resilient, and was recently recognized in a study by the Brookings Institution as a top performing region in the United States. The study analyzed economic performance during the recession and during post-recession recovery, focusing on data representing employment and economic output. Unemployment in Hampton Roads has dropped to 7.0 percent, from its peak rate of 7.4 percent in August 2010.

The dust has started to settle around the disestablishment of United States Joint Forces Command (USJFCOM), and initial fears have subsided as the potential consequences may prove to be less of an economic impact than initially anticipated. Uncertainty following the announced disestablishment of the USJFCOM prompted tenants and investors in the market to step back and observe how the market would be affected. There is still a level of residual uncertainty surrounding a potential spike in vacancy from tenants tied to USJFCOM causing some government contractor office tenants to close, downsize, or discontinue any expansions planned for fourth quarter 2010 and the first half of 2011.

New and existing Hampton Roads tenants are preparing to backfill vacancies created by USJFCOM's exodus in the Harbour View area of Suffolk. In addition, Hampton Roads looks forward to the benefits of the completion of the Norfolk Southern "Heartland Corridor" which will be a direct rail connection from the Virginia ports to Chicago.

Market Conditions

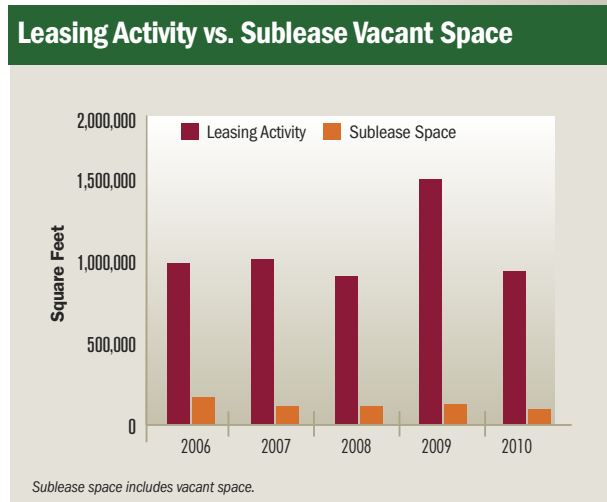
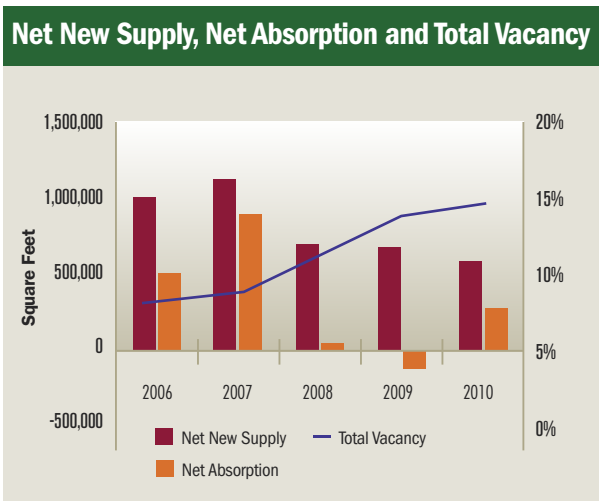
In many ways, 2010 represented a settling period in the market. Other than medical sector growth, some government contractors, and private colleges and universities entering and expanding in the Hampton Roads area, there has been little economic growth by way of office tenants. There were fewer lease transactions completed in the last quarter of 2010 than any other since the beginning of 2009, resulting in a fairly stagnant market. The overall vacancy rate remained a steady 14.6 percent, which is still below the National Office Market vacancy of 16.2%. Rental rates remained flat throughout the year, and large rent abatements remain prevalent. Despite the lack of leasing activity, brokers in the market reported a surge in tour activity. The increase in tour activity due to new tenants entering the market will hopefully translate into positive absorption and continued increases in activity in 2011.

Outlook

Market performance during the first two quarters of 2011 will be especially important in measuring overall market recovery and potential growth in Hampton Roads. Leasing activity is expected to increase as tenants gain more confidence in the market. Rent rates will likely remain relatively flat over the next 12 months, and tenants will continue to expect highly attractive rent concessions. The market has become less dependent on "blend and extend" renewals and it is possible that fundamentals will begin to shift as early as the fourth quarter of 2011 or the beginning of 2012.

Key Market Indicators			12-month forecast
Supply	Supply	26,816,106 sf	➤
	Direct vacancy rate	13.7%	▼
	Total vacancy rate	14.6%	▼
	Under construction	80,742 sf	▼
Demand	Leasing activity 12 mo. % change	-14.7%	▲
	YTD net absorption	281,916 sf	▲
Pricing	12-month overall rent % change	-4.1%	➤
	Class A overall asking rent	\$21.37 psf	➤
	Class B overall asking rent	\$16.09 psf	➤

*Please note the above statistics were derived and referenced from the Brookings Institution. They offered the overall office vacancy rate of Hampton Roads at 14.6%. CoStar's statistics, which are also referenced in this report, differed by 2% offering an overall office vacancy rate of 12.6%. The percentage difference is the utilization of A,B,C & F office properties with Brookings and only A,B & C office properties with CoStar.



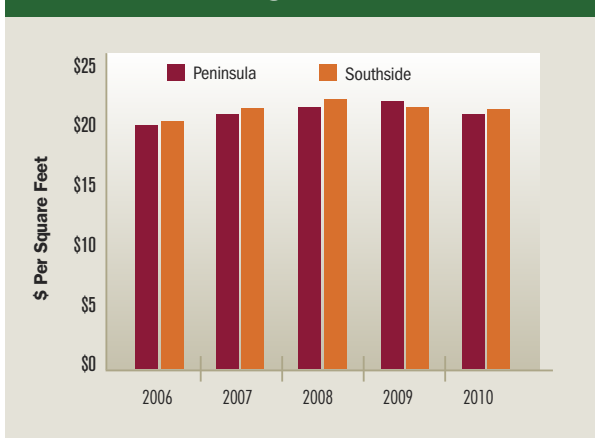
Tenant Perspective

As the Hampton Roads market continues to stabilize, tenants remain in the driver seat with a significant advantage in the market. Economic uncertainty surrounding the disestablishment of USJFCOM and overall high vacancy has put pressure on landlords to offer greater incentives to keep the tenants they currently have and to compete for tenants entering the market. Free rent and high tenant improvement allowances have become commonplace and will remain in place over the next 12 months, most likely tightening during the course of 2011. The bottomed-out rental rates and high competition among landlords continues to present the opportunity for tenants to trade up to higher class space at similar or cheaper costs than currently experienced. The next two quarters will become the optimal timing for tenants looking to renew and cut rent costs as economic incentives should begin a decline within the third quarter of 2011.

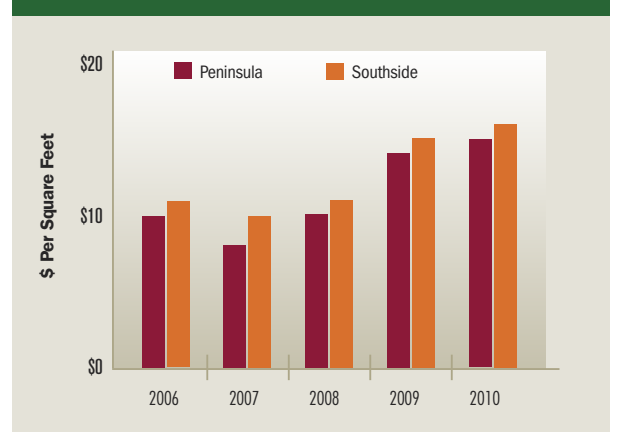
Landlord Perspective

Landlords must focus on keeping the tenants they have, while offering attractive rates and rent abatements to aggressively lure tenants entering the market. As the market in Hampton Roads bottomed out, the lack of new leasing activity extended landlords' struggle to maintain high occupancy rates. In order to stay competitive, landlords have been forced to drop rental rates below what they were at the end of 2006, and offer more free rent plus larger tenant improvement allowances. The aftermath of the recession has left landlords with large debt obligations that must become top priority. With over 4.6 million square feet in new supply added to the market since the start of 2007, it is highly unlikely that there will be any speculative office construction in the next 18-24 months. Landlords are currently at the bottom of the market slowly moving up; and those owning top quality spaces can expect fundamentals to begin to shift as early as the fourth quarter of 2011.

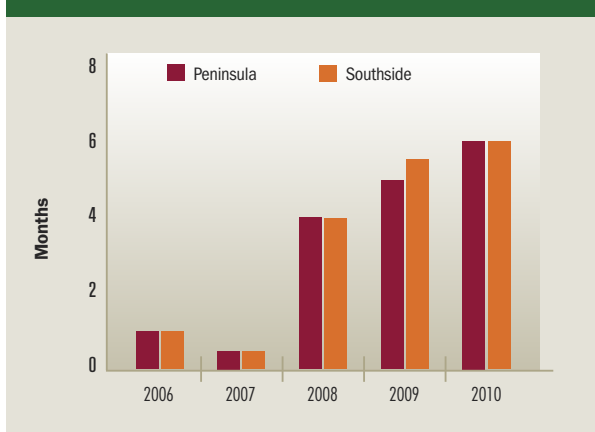
Class A Overall Asking Rents



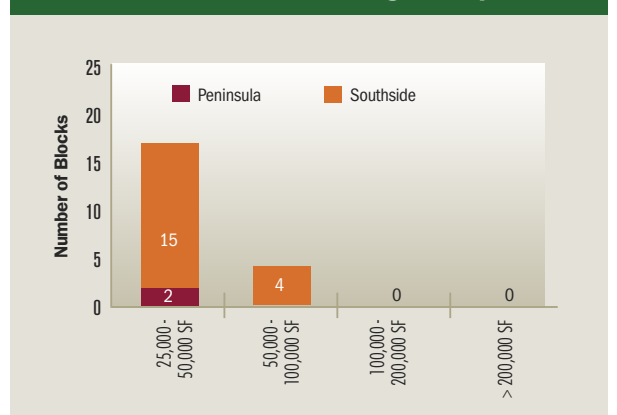
Class A Tenant Improvement Allowance



Class A Free Rent



Class A Blocks of Vacant Contiguous Space

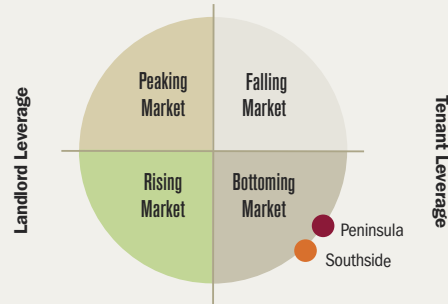


Submarket Leverage – Market History and Forecast

Submarket	2008	2009	2010	2011	2012
Newport News	Landlord-favorable	Tenant-favorable	Tenant-favorable	Tenant-favorable	Balanced
Hampton	Landlord-favorable	Tenant-favorable	Tenant-favorable	Tenant-favorable	Balanced
Williamsburg	Balanced	Tenant-favorable	Tenant-favorable	Tenant-favorable	Tenant-favorable
Yorktown	Balanced	Tenant-favorable	Tenant-favorable	Tenant-favorable	Tenant-favorable
Norfolk	Landlord-favorable	Tenant-favorable	Tenant-favorable	Tenant-favorable	Balanced
Virginia Beach	Landlord-favorable	Tenant-favorable	Tenant-favorable	Tenant-favorable	Balanced
Portsmouth	Balanced	Tenant-favorable	Tenant-favorable	Tenant-favorable	Balanced
Chesapeake	Landlord-favorable	Tenant-favorable	Tenant-favorable	Tenant-favorable	Balanced
Suffolk	Balanced	Tenant-favorable	Tenant-favorable	Tenant-favorable	Balanced

■ Landlord-favorable conditions ■ Balanced conditions
■ Tenant-favorable conditions

Property Clock – Current Market Conditions



Largest Completed Lease Transactions - 2010

Tenant	Address	Submarket	SF	Type
Labels Unlimited	2505 Hawkeye Court	Virginia Beach	65,000	Expansion
Verizon Wireless	240 Clearfield Avenue	Virginia Beach	52,329	Renewal
Monarch Bank	1435 Crossways Boulevard	Chesapeake	52,000	Relocation
Tidewater Physicians Multi-Specialty Group	Discovery Park Drive	Williamsburg	40,000	Build-to-suit
Booz Allen Hamilton Inc	5800 Lake Wright Drive	Norfolk	34,577	Renewal
ISHPI	6900 Harbour View Boulevard	Suffolk	31,500	Relocation
Strayer University	676 Independence Parkway	Chesapeake	25,622	New
Amerigroup	4433 Corporation Lane	Virginia Beach	23,532	New
URS Federal Technical Services Inc.	4565 Progress Road	Norfolk	23,116	Renewal
Towne Insurance	301 Bendix Road	Virginia Beach	19,000	Relocation

Co-Writers: Nicolas Politas; Research & Finance Analyst; Maureen Rooks, Vice President, Jones Lang LaSalle | Sources: CoStar Group, Inc.

Top Completed Office Building Sales/Transactions

Address	Submarket	Buyer / Seller	SF	\$ PSF
2600 Washington Avenue	Newport News	Sage Realty Partners / Berkadia Comm Mtg LLC	134,172	\$15.47
535 Independence Parkway	Chesapeake	First Potomac Realty Trust / VJM LLC	96,720	\$89.95
1435 Crossways Blvd	Chesapeake	Monarch Bank / Crossways Center LLC	50,882	\$87.85
5838 Harbour View Blvd	Suffolk	HC REIT / Harbour View Medical Arts LLC	49,000	\$255
5360 Robin Hood Road	Norfolk	Robin Hood Road LLC / Undisclosed	42,000	\$41
11835 Fishing Point Drive	Newport News	11835 Fishing Pt LLC / Oysterpoint Med Ctr LLC	32,174	\$93.24
11790 Jefferson Avenue	Newport News	BBK Enterprises LLC / JSA Four LLC	20,311	\$115.70
7907 Marshall Avenue	Newport News	Wright Real Estate Hldgs LLC / JMC Comm LLC	19,256	\$77.27
751 J Clyde Morris Blvd	Newport News	Tidewater PT Inc / Helmut W Treishmann Jr	18,000	\$96.03
345 W Freemason Street	Norfolk	US Old Pt Natl Bank of Phoebe / Zemanian Peter G	8,457	\$171.46
200 E Plume Street	Norfolk	KJR Plume LLC / SL Nusbaum Realty Co	4,884	\$157.66

Top Completed Office Land Sales/Transactions

Address	Submarket	Buyer / Seller	Acres	\$ PSF
Princess Anne Rd / S. Ind Blvd	Virginia Beach	Wells Fargo Bank NA / Spence Family Farm LP	133.8	\$3.29
12080 Jefferson Avenue	Newport News	WM Jordan Company / W&M Real Estate Foundation	43.5	\$4.22
881 Carolina Road	Suffolk	Better Health Care Family Svcs LLC / L Walton & H Ismael	4.43	\$17.88
1600 Richmond Road	Williamsburg	CVS Caremark / Americas Best Value Inn	4.04	\$19.32
1560 International Blvd	Norfolk	Edward Street LLC / Park Crescent Associates LP	7.70	\$7.45
5223 Monticello Avenue	Williamsburg	New Town Six LLC / Exxon Mobil Corporation	4.92	\$10.73

Top Select New Construction Deliveries (2010)

Address	Submarket	Broker / Developer	SF
The Wells Fargo Center	Norfolk	SL Nusbaum Realty Co	299,887
Medical Office Tower	Norfolk	Lauth Property Group	196,000
Virginia Natural Gas Bldg	Virginia Beach	Divaris Real Estate Inc	48,242
101 Production Road	Yorktown	Harvey Lindsay Commercial Real Estate	30,000
4388 Holland Road	Virginia Beach	Thalhimer	27,844
Towne Bank	Suffolk	TowneBank Foundation	19,318

Class A Office Market Statistics Hampton Roads (Year-end 2010)

Market	Existing Inventory		Vacancy			YTD net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total r.b.a.	Direct SF	Total SF	Vac %				
Peninsula	35	2,956,724	398,297	406,520	13.7%	18,706	0	0	\$20.93
Southside	117	10,863,360	1,670,016	1,727,691	15.9%	353,483	495,887	0	\$21.46
Totals	152	13,820,084	2,068,313	2,134,211	14.8%	372,189	495,887	0	

Class B Office Market Statistics Hampton Roads (Year-end 2010)

Market	Existing Inventory		Vacancy			YTD net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total r.b.a.	Direct SF	Total SF	Vac %				
Peninsula	654	8,477,632	970,662	1,007,881	11.9%	33,607	47,332	48,000	\$15.87
Southside	759	14,579,924	1,971,750	2,018,766	13.8%	(53,274)	119,507	47501	\$16.25
Totals	1413	23,057,556	2,942,412	3,026,647	12.9%	(19,667)	166,839	0	

Class C Office Market Statistics Hampton Roads (Year-end 2010)

Market	Existing Inventory		Vacancy			YTD net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total r.b.a.	Direct SF	Total SF	Vac %				
Peninsula	403	2,159,058	231,316	231,316	10.7%	(28,443)	0	0	\$11.78
Southside	1,018	6,381,931	376,171	378,251	5.9%	(62,282)	0	0	\$13.60
Totals	1,421	8,540,989	607,487	609,567	8.3%	(90,725)	0	0	

Total Office Market Statistics Hampton Roads (Year-end 2010)

Market	Existing Inventory		Vacancy			YTD net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total r.b.a.	Direct SF	Total SF	Vac %				
Peninsula	1,092	13,593,414	1,600,275	1,645,717	12.1%	23,870	47,332	48,000	\$16.69
Southside	1,894	31,825,215	4,017,937	4,124,708	13.0%	237,927	615,394	47,501	\$18.36
Totals	2,986	45,418,629	5,618,212	5,770,425	12.6%*	261,797	662,726	95,501	

*Please note the above statistics were derived and referenced from the Brookings Institution. They offered the overall office vacancy rate of Hampton Roads at 14.6%. CoStar's statistics, which are also referenced in this report, differed by 2% offering an overall office vacancy rate of 12.6%. The percentage difference is the utilization of A,B,C & F office properties with Brookings and only A,B & C office properties with CoStar.

Class A - Significant Office Market Statistics Hampton Roads (Year-end 2010)

Market	Existing Inventory		Vacancy			YTD net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total r.b.a.	Direct SF	Total SF	Vac %				
Downtown Norfolk	11	2,650,318	484,250	488,805	18.4%	44,385	299,887	0	\$23.38
Harbour View	11	1,055,699	149,353	154,153	14.6%	19,702	0	0	\$22.18
Oyster Point	16	1,128,426	182,391	182,391	16.2%	(4,829)	0	0	\$21.69
VA Beach CBD	14	1,297,764	99,573	107,823	8.3%	100,299	0	0	\$23.43
Totals	52	6,132,207	915,567	933,172	14.4%	159,557	299,887	0	

Class B - Significant Office Market Statistics Hampton Roads (Year-end 2010)

Market	Existing Inventory		Vacancy			YTD net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total r.b.a.	Direct SF	Total SF	Vac %				
Downtown Norfolk	53	1,912,078	336,770	337,970	17.7%	(57,781)	0	2,000	\$16.40
Harbour View	23	504,967	41,494	41,494	8.2%	21,308	32,578	12,930	\$18.92
Oyster Point	197	3,089,852	385,166	405,331	13.1%	(40,851)	0	0	\$15.93
VA Beach CBD	19	661,684	67,259	71,300	10.8%	15,922	0	0	\$18.35
Totals	292	6,168,581	830,689	856,095	12.5%	(61,402)	32,578	14,930	

Class C - Significant Office Market Statistics Hampton Roads (Year-end 2010)

Market	Existing Inventory		Vacancy			YTD net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total r.b.a.	Direct SF	Total SF	Vac %				
Downtown Norfolk	39	385,262	38,845	38,845	10.1%	(1,111)	0	0	\$12.69
Harbour View	4	14,120	3,893	3,893	27.6%	(1,873)	0	0	\$12.75
Oyster Point	144	702,329	36,424	36,424	5.2%	(7,123)	0	0	\$12.30
VA Beach CBD	3	8,808	0	0	0.0%	(15,000)	0	0	N/A
Totals	190	1,110,519	79,162	79,162	14.3%	(25,107)	0	0	

Significant Office Market Statistics Hampton Roads (Year-end 2010)

Market	Existing Inventory		Vacancy			YTD net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total r.b.a.	Direct SF	Total SF	Vac %				
Downtown Norfolk	103	4,947,658	859,865	865,620	17.5%	(14,507)	299,887	2,000	\$20.50
Harbour View	38	1,574,786	194,740	199,540	12.7%	39,137	32,578	12,930	\$21.77
Oyster Point	357	4,920,607	603,981	624,146	12.7%	(52,803)	0	0	\$17.65
VA Beach CBD	36	1,968,256	166,832	179,123	9.1%	101,221	0	0	\$21.09
Totals	534	13,411,307	1,825,418	1,868,429	13.0%	73,048	332,465	14,930	

Source: CoStar Group, Inc.

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Hampton Roads methodology: Inventory includes all Class A, B, & C office properties

Regional Office Market Comparison

The relative vitality of the Hampton Roads office market can be more clearly illustrated by comparing the area's 2010 performance to the nearby Virginia market of Richmond, the District of Columbia, as well as the North Carolina markets of Raleigh-Durham and Charlotte. Clearly our regional competitive areas fared well in comparison to the United States' national office vacancy rate of 16.2% in 2010. All combined, this select regional vacancy rate was 12.3%. All data is gathered from the Brookings Institution and CoStar.

Q4 2010 Data — From CoStar Office Market Report

The office vacancy rate in the Richmond, VA office market area decreased to 11.3% at the end of the fourth quarter 2010. The vacancy rate was 11.9% at the end of the third quarter 2010, 12.3% at the end of the second quarter 2010, and 12.0% at the end of the first quarter 2010.

The office vacancy rate in the Raleigh-Durham, NC office market area decreased to 12.6% at the end of the fourth quarter 2010. The vacancy rate was 12.7% at the end of the third quarter 2010, 13.2% at the end of the second quarter 2010, and 13.4% at the end of the first quarter 2010.

The office vacancy rate in the Charlotte, NC office market area decreased to 14.0% at the end of the fourth quarter 2010. The vacancy rate was 14.2% at the end of the third quarter 2010, 14.7% at the end of the second quarter 2010, and 14.1% at the end of the first quarter 2010.

The office vacancy rate in the District of Columbia (Washington D.C.) office market area decreased to 10.9% at the end of the fourth quarter 2010. The vacancy rate was 11.6% at the end of the third quarter 2010, 11.9% at the end of the second quarter 2010, and 11.6% at the end of the first quarter 2010.

The office vacancy rate in the Hampton Roads office market area decreased to 12.6% at the end of the fourth quarter 2010. The vacancy rate was 12.7% at the end of the third quarter 2010, 12.7% at the end of the second quarter 2010, and 12.2% at the end of the first quarter 2010.

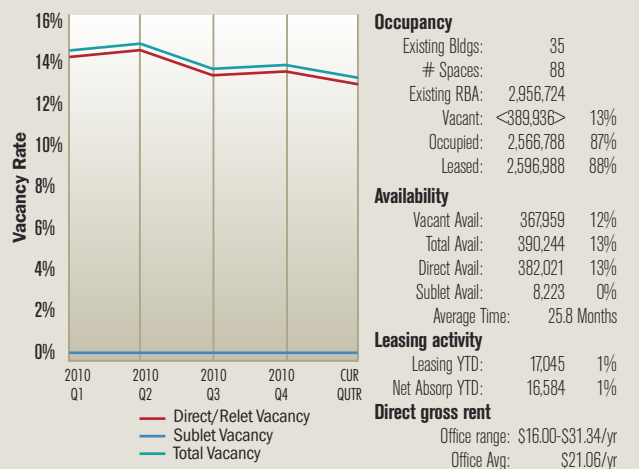
Regional Office Market Comparison – Office Vacancy Rate

2010	Hampton Roads, VA	Washington DC	Richmond, VA	Raleigh-Durham, NC	Charlotte, NC
1st Quarter	12.2%	11.6%	12.0%	13.4%	14.1%
2nd Quarter	12.9%	11.9%	12.3%	13.2%	14.7%
3rd Quarter	12.7%	11.6%	11.9%	12.7%	14.2%
4th Quarter	12.6%	10.9%	11.3%	12.6%	14.0%

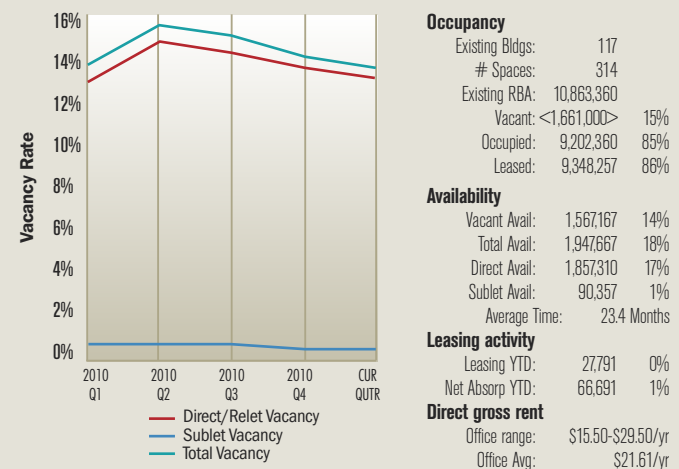
Peninsula Class A – Average Rental Rates

	DIRECT SPACES				SUBLET SPACES				TOTAL
	# Spaces	Min	Avg	Max	# Spaces	Min	Avg	Max	Avg
Off/Med Triple Net	8	\$22.00	\$22.00	\$22.00	0	-	-	-	\$22.00
Office Full Service Gross	69	\$16.00	\$19.84	\$28.00	4	\$9.00	\$13.24	\$22.00	\$19.66
Modified Gross	3	\$16.95	\$16.95	\$16.95	0	-	-	-	\$16.95
Negotiable	4	-	-	-	0	-	-	-	-
Retail Triple Net	1	\$13.50	\$13.50	\$13.50	0	-	-	-	\$13.50

Peninsula Vacancy Rates



South Hampton Roads Vacancy Rates



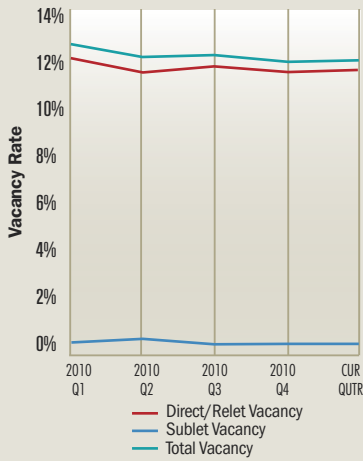
Peninsula Class A - Average Rental Rates

	DIRECT SPACES				SUBLET SPACES				TOTAL
	# Spaces	Min	Avg	Max	# Spaces	Min	Avg	Max	Avg
Off/Med									
Full Service Gross	17	\$21.00	\$25.16	\$27.00	1	\$22.38	\$22.38	\$22.38	\$25.07
Negotiable	1	-	-	-	0	-	-	-	-
Plus Cleaning	2	\$17.95	\$18.11	\$18.50	0	-	-	-	\$18.11
Triple Net	6	\$16.50	\$17.14	\$21.50	0	-	-	-	\$17.14
Office/Ret									
Full Service Gross	1	\$24.95	\$24.95	\$24.95	0	-	-	-	\$24.95
Modified Gross	3	\$22.00	\$22.68	\$24.00	0	-	-	-	\$22.68
Office									
+ Elec & Clean	1	\$17.25	\$17.25	\$17.25	0	-	-	-	\$17.25
Full Service Gross	216	\$16.00	\$21.32	\$29.50	14	\$14.00	\$16.23	\$23.00	\$20.98
Modified Gross	1	\$17.50	\$17.50	\$17.50	0	-	-	-	\$17.50
Negotiable	13	-	-	-	1	-	-	-	-
Net	4	\$15.50	\$17.14	\$22.50	0	-	-	-	\$17.14
Plus Cleaning	0	-	-	-	1	\$18.50	\$18.50	\$18.50	\$18.50
TBD	9	\$20.00	\$20.56	\$25.00	1	-	-	-	\$20.56
Triple Net	12	\$13.50	\$21.23	\$30.00	0	-	-	-	\$21.23
Retail									
Full Service Gross	5	-	-	-	0	-	-	-	-
Triple Net	4	\$21.00	\$21.00	\$21.00	0	-	-	-	\$21.00
Utilities & Char	2	\$22.50	\$22.50	\$22.50	0	-	-	-	\$22.50

Peninsula Class B - Average Rental Rates

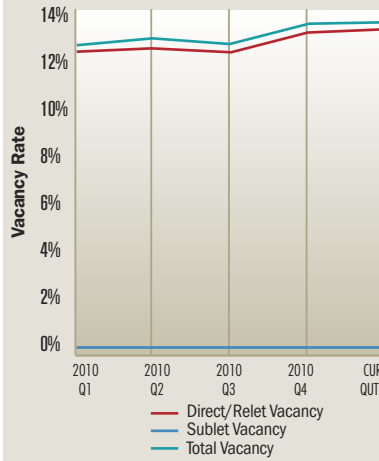
	DIRECT SPACES				SUBLET SPACES				TOTAL
	# Spaces	Min	Avg	Max	# Spaces	Min	Avg	Max	Avg
Off/Med									
Full Service Gross	1	\$16.00	\$16.00	\$16.00	0	-	-	-	\$16.00
Modified Gross	5	\$12.00	\$13.53	\$15.00	0	-	-	-	\$13.53
Net	9	\$16.50	\$17.66	\$18.69	0	-	-	-	\$17.66
Plus All Utilities	4	\$10.46	\$14.49	\$20.00	0	-	-	-	\$14.49
Triple Net	5	\$12.85	\$13.79	\$15.00	0	-	-	-	\$13.79
Utilities & Char	1	\$13.50	\$13.50	\$13.50	0	-	-	-	\$13.50
Office/Ret									
Full Service Gross	4	\$20.00	\$20.00	\$20.00	0	-	-	-	\$20.00
Modified Gross	4	\$11.95	\$16.55	\$20.00	0	-	-	-	\$16.55
Triple Net	1	\$16.00	\$16.00	\$16.00	0	-	-	-	\$16.00
Office									
+ Elec & Clean	8	\$10.00	\$13.13	\$16.50	0	-	-	-	\$13.13
Double Net	6	\$11.25	\$14.96	\$21.00	0	-	-	-	\$14.96
Full Service Gross	128	\$8.00	\$16.28	\$20.95	5	\$12.95	\$13.35	\$16.50	\$16.16
Modified Gross	49	\$9.00	\$14.21	\$23.00	2	\$12.00	\$12.85	\$13.75	\$14.16
Negotiable	25	-	-	-	2	-	-	-	-
Net	13	\$10.00	\$10.95	\$16.00	2	\$13.00	\$13.26	\$13.50	\$11.23
Plus All Utilities	21	\$8.67	\$13.40	\$18.50	0	-	-	-	\$13.40
Plus Cleaning	2	\$10.00	\$10.68	\$10.95	0	-	-	-	\$10.68
Plus Electric	5	\$12.48	\$15.70	\$18.90	0	-	-	-	\$15.70
TBD	9	\$12.31	\$13.56	\$14.92	1	-	-	-	\$13.56
Triple Net	45	\$7.94	\$14.24	\$21.00	0	-	-	-	\$14.24
Utilities & Char	21	\$10.00	\$12.25	\$14.00	0	-	-	-	\$12.25
Retail									
Modified Gross	1	\$19.00	\$19.00	\$19.00	0	-	-	-	\$19.00
Net	2	\$16.00	\$16.00	\$16.00	0	-	-	-	\$16.00
Triple Net	7	\$10.00	\$10.00	\$10.00	0	-	-	-	\$10.00

Peninsula Class B Vacancy Rates



Occupancy	
Existing Bldgs:	657
# Spaces:	385
Existing RBA:	8,489,034
Vacant: <1,026,225>	12%
Occupied:	7,462,809 88%
Leased:	7,550,970 89%
Availability	
Vacant Avail:	975,283 11%
Total Avail:	1,122,314 13%
Direct Avail:	1,083,844 13%
Sublet Avail:	38,469 0%
Average Time:	28.8 Months
Leasing activity	
Leasing YTD:	27,062 0%
Net Absorp YTD:	(4,844) (0%)
Direct gross rent	
Office range:	\$794-\$34.77/yr
Office Avg:	\$15.34/yr

South Hampton Roads Class B Vacancy Rates



Occupancy	
Existing Bldgs:	762
# Spaces:	656
Existing RBA:	14,677,776
Vacant: <1,996,473>	14%
Occupied:	12,681,303 86%
Leased:	12,852,609 88%
Availability	
Vacant Avail:	1,872,873 13%
Total Avail:	2,390,831 16%
Direct Avail:	2,317,735 16%
Sublet Avail:	67,454 0%
Average Time:	21.9 Months
Leasing activity	
Leasing YTD:	17,198 0%
Net Absorp YTD:	(13,222) (0%)
Direct gross rent	
Office range:	\$6.00-\$40.00/yr
Office Avg:	\$15.59/yr

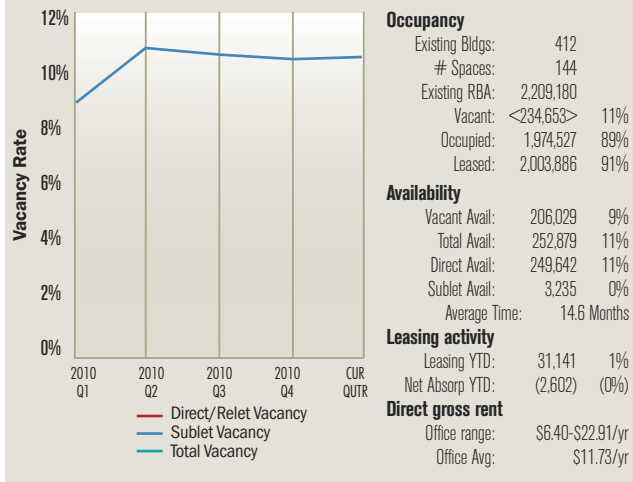
South Hampton Roads Class A - Average Rental Rates

	DIRECT SPACES				SUBLET SPACES				TOTAL
	# Spaces	Min	Avg	Max	# Spaces	Min	Avg	Max	Avg
Med									
Full Service Gross	10	\$18.00	\$21.31	\$24.75	0	-	-	-	\$21.31
Utilities & Char	1	\$18.00	\$18.00	\$18.00	0	-	-	-	\$18.00
Triple Net	6	\$16.50	\$17.14	\$21.50	0	-	-	-	\$17.14
Off/Med									
Double Net	2	\$15.50	\$15.50	\$15.50	0	-	-	-	\$15.50
Full Service Gross	23	\$12.00	\$18.96	\$26.00	0	-	-	-	\$18.96
Modified Gross	4	\$12.88	\$14.74	\$15.75	0	-	-	-	\$14.74
Negotiable	2	-	-	-	0	-	-	-	-
Net	1	\$13.75	\$13.75	\$13.75	0	-	-	-	\$13.75
Plus All Utilities	3	\$12.00	\$12.75	\$14.00	0	-	-	-	\$12.75
Plus Cleaning	1	\$20.00	\$20.00	\$20.00	0	-	-	-	\$20.00
Tenant Electric	1	\$13.00	\$13.00	\$13.00	0	-	-	-	\$13.00
Triple Net	8	\$12.00	\$17.53	\$23.00	1	\$18.00	\$18.00	\$18.00	\$17.61
Utilities & Char	4	\$17.00	\$18.57	\$22.00	1	\$11.00	\$11.00	\$11.00	\$16.62
Office/Ret									
Double Net	1	\$14.95	\$14.95	\$14.95	0	-	-	-	\$14.95
Full Service Gross	2	\$16.00	\$17.30	\$18.00	0	-	-	-	\$17.30
Modified Gross	2	\$10.00	\$12.30	\$18.00	0	-	-	-	\$12.30
Negotiable	2	-	-	-	2	-	-	-	-
Net	1	\$18.00	\$18.00	\$18.00	0	-	-	-	\$18.00
Plus Cleaning	2	\$22.50	\$22.50	\$22.50	0	-	-	-	\$22.50
TBD 1	-	-	-	0	-	-	-	-	-
Triple Net	3	\$9.95	\$17.63	\$22.50	0	-	-	-	\$17.63
Office									
+ Elec & Clean	26	\$12.00	\$14.20	\$23.50	0	-	-	-	\$14.20
Double Net	5	\$11.95	\$12.10	\$13.00	0	-	-	-	\$12.10
Full Service Gross	292	\$11.00	\$16.33	\$40.00	23	\$12.50	\$16.50	\$20.00	\$16.34
Modified Gross	54	\$8.55	\$15.55	\$30.00	1	-	-	-	\$15.55
Negotiable	40	\$12.86	\$12.86	\$12.86	1	-	-	-	\$12.86
Net	41	\$10.00	\$12.51	\$18.75	0	-	-	-	\$12.51
Plus All Utilities	8	\$11.29	\$11.68	\$12.85	0	-	-	-	\$11.68
Plus Cleaning	16	\$12.95	\$15.15	\$18.21	0	-	-	-	\$15.15
Plus Electric	9	\$10.00	\$14.11	\$17.50	0	-	-	-	\$14.11
TBD	5	\$14.00	\$16.10	\$18.00	1	\$14.50	\$14.50	\$14.50	\$15.93
Tenant Electric	2	\$13.00	\$13.00	\$13.00	0	-	-	-	\$13.00
Triple Net	51	\$6.00	\$12.68	\$23.00	1	\$17.00	\$17.00	\$17.00	\$12.71
Utilities & Char	17	\$9.95	\$15.00	\$18.00	0	-	-	-	\$15.00
Retail									
Full Service Gross	1	\$22.00	\$22.00	\$22.00	0	-	-	-	\$22.00
TBD	1	\$16.00	\$16.00	\$16.00	0	-	-	-	\$16.00
Triple Net	4	\$12.00	\$20.46	\$23.00	0	-	-	-	\$20.46

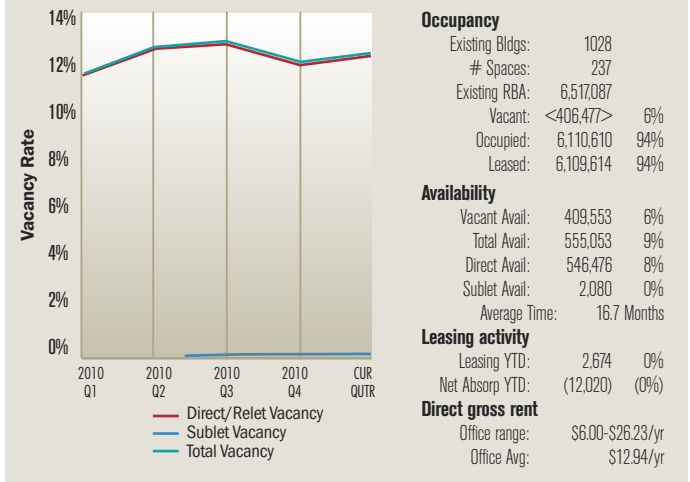
Peninsula Class C - Average Rental Rates

	DIRECT SPACES				SUBLET SPACES				TOTAL
	# Spaces	Min	Avg	Max	# Spaces	Min	Avg	Max	Avg
Med									
Modified Gross	1	\$11.50	\$11.50	\$11.50	0	-	-	-	\$11.50
Off/Med									
Double Net	1	\$13.00	\$13.00	\$13.00	0	-	-	-	\$13.00
Triple Net	2	\$10.00	\$10.00	\$10.00	0	-	-	-	\$10.00
Office/Ret									
Full Service Gross	2	\$10.00	\$11.00	\$12.00	0	-	-	-	\$11.00
Negotiable	1	-	-	-	0	-	-	-	-
Triple Net	1	\$12.50	\$12.50	\$12.50	0	-	-	-	\$12.50
Office									
+ Elec & Clean	1	\$12.00	\$12.00	\$12.00	0	-	-	-	\$12.00
Double Net	1	\$9.50	\$9.50	\$9.50	0	-	-	-	\$9.50
Full Service Gross	57	\$7.20	\$10.37	\$22.21	1	\$12.00	\$12.00	\$12.00	\$10.39
Modified Gross	22	\$8.00	\$12.32	\$27.00	0	-	-	-	\$12.32
Negotiable	11	-	-	-	0	-	-	-	-
Net	11	\$9.50	\$12.20	\$16.00	0	-	-	-	\$12.20
Plus All Utilities	4	\$6.40	\$9.25	\$12.00	0	-	-	-	\$9.25
Plus Cleaning	1	\$22.91	\$22.91	\$22.91	0	-	-	-	\$22.91
Plus Electric	1	\$15.00	\$15.00	\$15.00	0	-	-	-	\$15.00
Triple Net	9	\$8.00	\$13.07	\$17.00	0	-	-	-	\$13.07
Utilities & Char	17	\$9.50	\$10.99	\$14.00	1	\$13.50	\$13.50	\$13.50	\$11.18

Peninsula Class C Vacancy Rates



South Hampton Roads Class C Vacancy Rates



South Hampton Roads Class C - Average Rental Rates

	DIRECT SPACES				SUBLET SPACES				TOTAL
	# Spaces	Min	Avg	Max	# Spaces	Min	Avg	Max	Avg
Med									
Plus Cleaning	1	\$23.25	\$23.25	\$23.25	0	-	-	-	\$23.25
Off/Med									
Full Service Gross	1	\$18.00	\$18.00	\$18.00	0	-	-	-	\$18.00
Modified Gross	4	\$12.75	\$13.84	\$15.00	0	-	-	-	\$13.84
Net	2	\$16.00	\$16.00	\$16.00	0	-	-	-	\$16.00
Plus All Utilities	1	\$18.50	\$18.50	\$18.50	0	-	-	-	\$18.50
Plus Electric	1	\$12.00	\$12.00	\$12.00	0	-	-	-	\$12.00
Triple Net	2	\$6.86	\$10.67	\$12.00	0	-	-	-	\$10.67
Office/Ret									
Modified Gross	1	\$13.00	\$13.00	\$13.00	0	-	-	-	\$13.00
Negotiable	4	-	-	-	0	-	-	-	-
Plus All Utilities	3	\$11.20	\$12.00	\$14.40	0	-	-	-	\$12.00
Plus Electric	1	\$12.00	\$12.00	\$12.00	0	-	-	-	\$12.00
Triple Net	8	\$9.09	\$13.15	\$18.50	0	-	-	-	\$13.15
Utilities & Char	2	\$12.00	\$12.32	\$13.00	0	-	-	-	\$12.32
Office									
+ Elec & Clean	8	\$12.00	\$15.09	\$17.50	0	-	-	-	\$15.09
Full Service Gross	44	\$8.42	\$13.84	\$20.00	1	\$8.42	\$8.42	\$8.42	\$13.67
Modified Gross	27	\$6.00	\$12.42	\$21.45	0	-	-	-	\$12.42
Negotiable	34	-	-	-	0	-	-	-	-
Net	16	\$8.00	\$11.57	\$15.00	0	-	-	-	\$11.57
Plus All Utilities	10	\$10.20	\$14.05	\$15.00	0	-	-	-	\$14.05
Plus Cleaning	9	\$12.00	\$13.22	\$15.00	1	\$22.80	\$22.80	\$22.80	\$13.56
Plus Electric	9	\$9.79	\$11.95	\$16.00	0	-	-	-	\$11.95
TBD	7	\$11.86	\$11.86	\$11.86	0	-	-	-	\$11.86
Triple Net	43	\$7.50	\$11.50	\$29.43	0	-	-	-	\$11.50
Retail									
Full Service Gross	1	\$12.95	\$12.95	\$12.95	0	-	-	-	\$12.95
Triple Net	2	\$10.00	\$11.74	\$12.00	0	-	-	-	\$11.74

2010 Office Building Directory

DOWNTOWN NORFOLK

CLASS A

150 West Main Street	226,183
Bank of America	340,000
Crown Center	62,000
Dominion Tower	403,276
Fort Norfolk Medical Office Tower	196,000
Main Street Tower	200,000
Norfolk Southern Tower	301,463
Town Point Center	130,266
World Trade Center	366,941
Wells Fargo Center	255,000

CLASS B

101 Granby Street	22,000
141 W. Virginia Beach Blvd. (ABC Building)	10,000
201 Granby Mall Building	76,071
250 W. Brambleton Avenue	17,984
345 W. Freemason	11,000
500 Plume Street	60,000
500 E. Main St. (BB&T)	230,000
City Centre	54,138
Hague Medical Center	31,659
Madison Office Building	82,000
Monticello Arcade	44,500
The Monticello Building	70,000
Plume Center West	82,375
RBC Centura Tower	111,600
St. Paul Building	47,308
Seaboard Center	30,000
Tazewell Building	38,000
The Helena Building	20,100
Towne Bank Building	52,698
Wainwright Building	83,151
York Street Center	52,293

CLASS C

220 West Freemason Street	10,775
255 Granby Street	30,000
400 Gresham Drive (The Medical Building)	78,867
700 Monticello Avenue	22,760
700 Boush Street	16,825
Anders Williams Building	14,000
Duke Grace Building	26,417
Ghent-Olney Building	24,000
Lonsdale Building	18,000
Norfolk Community Services	16,192
Wainwright Building	82,318

OWNER OCCUPIED

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
Peta	25,000
Standard Forms	30,000
Two Commercial Place	234,450
Virginian Pilot Building	174,141

AIRPORT/NORTHAMPTON

CLASS A

Twin Oaks I	88,000
Twin Oaks II	88,000
The Concourse	325,000

CLASS B

Airport Executive Center	70,609
Circle South	48,000
HRSA-ILA Bldg (Longshoremen's)	21,678
Northampton Executive Center corrected buiding size	69,904

CLASS C

Electrical Workers Corporation Office	22,020
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OWNER OCCUPIED

CMA/CGM (USA)	90,000
Commander Corporate Center	65,000
Silver Oak	78,200
Zim-American Israeli Shipping	30,000

CENTRAL NORFOLK

CLASS B

100 Kingsley Lane, DePaul Health Park"	48,000
110 Kingsley Lane, DePaul Medical Building"	39,054
160 Lingsley Lane, DePaul Medical Atrium"	40,000
241 Corporate Blvd. (VA Eye Development)	34,070
930 Majestic Avenue	9,500
5360 Robin Hood Road	42,000
Alameda Business Center (flex)	84,000
Central Center Office Building	53,815
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	106,000
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CHESAPEAKE/GREENBRIER

CLASS A

BECO Corp HQ (609 Independence)	22,400
Crossways Center	52,702
CHKD Health Center (Volvo Park VI)	25,000
Chubb Building	97,500
Dendrite One	50,000
Dendrite Two	50,000
EDS - 1434 Crossways Blvd	111,000
Greenbrier Tower I	87,900
Greenbrier Tower II	86,976
HR Realtors Association Bldg (638 Independence)	40,000
Independence Place	73,345
Lake Center I	60,000
Lake Center II	64,000
Liberty One	50,000
Liberty Two	50,000
Liberty Three	75,000
1403 Greenbrier Parkway (Gateway Bank)	75,000

CLASS B

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
1580 Crossways Blvd	10,800
Crossways Commerce Center II	145,300
Crossways Commerce Center I	45,000
Crossways I	137,007
Crossways II (flex)	84,751
Crossways III	61,992
Dominion Business Center	20,000
Eden North Center	18,700
Greenbrier Business Centre (flex)	91,561
Greenbrier Circle Corporate Center	233,138
Greenbrier Executive Center II (I was torn down for a hotel)	26,787
Greenbrier Point II	16,000

Greenbrier Tech Center One (flex)	95,414
Greenbrier Tech Center Two (flex)	82,340
Hanbury Office Park	24,000
Hanbury Road Business Center	9,000
Independence Technology Center I	98,000
Rose and Womble Business Center	13,432
SunTrust Bank Building	23,000
737 Volvo Parkway	36,000
Volvo Park (Progressive Drive)	52,000
Volvo VII	13,000
Greenbrier Business Center	50,000
Greenbrier Square	26,250
Heritage Bank Building	12,654
Riverwalk Professional Bldg	10,000
Woodbrier Terrace	10,000
Wright Building	12,000

CLASS C

2125 Smith Avenue	42,423
Knells Ridge Plaza	15,500
Old Greenbrier Village	34,015

OWNER OCCUPIED

Cox Communications	150,000
Dollar Tree	300,000
First Data	42,557
Household Finance	60,000
Panasonic Call Center	55,000

HILLTOP/OCEANFRONT

CLASS A

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

CLASS B

1206 Laskin Road Executive Center	33,000
Beach Health Pavilion	57,800
Beach Tower	23,000
Birdneck Office Park	10,182
Birdneck Square	17,285
Camelot Professional Center	40,725
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
Louisa Avenue Building One	11,000
Louisa Avenue Building Two	11,000
Louisa Avenue Building Three	8,195
Mill Dam Crossing	22,037
Rudd Building	13,000
Sandpiper Key Associates Bldg.	32,000
1092 Laskin Road	18,240

CLASS C

Oceana East	10,360*
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CORPORATE LANDING

CLASS B

Executive Center at Corporate Landing	45,000*
Princess Anne Executive Park	59,756*
Verizon Building	10,000

OWNER OCCUPIED

Al-Anon	30,000
Liberty Tax Service	30,000
GEICO	250,000

KEMPSVILLE

CLASS A

Chadwick Building	80,000
Grayson Building	42,000
Metroplex 1	35,000

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

Chase Building	31,910
Lynnhaven Commons Complex	25,000
Lynnhaven Commons (office bldg)	26,000
Lynnhaven II	36,000
Lynnwood Plaza	87,157
Marsh Landing	62,117
Oceana Center One	39,928
Oceana Place	75,369
Park West AMSEC	66,180
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 International Parkway	53,000
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
Global Technical Systems	46,000
Hall Automotive	29,865
SAIC	60,000

LITTLE NECK

CLASS B

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
Lynnhaven Station 101 North Lynnhaven	28,000
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

Plan-It Building	24,000
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MILITARY CIRCLE

CLASS A

Riverside Commerce Center (120 Corporate Blvd.)	70,000
Riverside Corporate Center	86,682

CLASS B

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

CLASS C

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

OWNER OCCUPIED

Portfolio Recovery Building	34,850
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
Gallery II	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
BCF Building	24,000
BPC Building	29,074
Colonial Corporate Center	41,772
Commerce Centre (200-259 Expressway Ct)	35,500
Commonwealth Building	10,000
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

Cox Cable Building	45,000
Cox Expansion	25,000

Copy Data (Ikon)	20,000
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
Convergence Center III	99,000
Corporate Center VI	59,000
Five Columbus Center	20,000
Fulton Bank Plaza	90,315
One Columbus Center	134,000
OSS Building (former Ticketmaster)	30,000
Six Columbus Center	36,000
Southport Center	65,000
Town Center (222 Central Park)	256,900
Town Center North Tower	53,000
Two Columbus Center	109,000

CLASS B

4701 Columbus	32,000
4705 Columbus Street	33,000
4801 Columbus Street	40,000
Corporate Center I	51,000
Corporate Center II	52,475
Corporate Center III	51,000
Corporate Center IV	76,012
Holland Commerce Center	30,000
Holland Office Park	32,000
Independence Business Center	62,000
Independence Technology Center - Technocenter I	50,000
Independent Plaza	36,655
Pembroke Commercial Bldg. (4425 Corporation Lane) 70,760	
Pembroke Office Park	294,000
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
VST Building	25,000

CLASS C

4224 Holland Road	10,104
Dragas Office Park	30,896
Haygood Buildings	22,392
Haygood Executive Park	36,472
Holland Plaza Office Building	14,513
Old Donation Executive Park	20,347
Larkspur Village	16,184
Pocahontas Center	17,800

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
Virginia Natural Gas Building	48,242

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

Towne Bank Building (200 High St)	34,000
JH Building	17,563
New Kim Building	44,000
PortCentre I (flex)	100,000
Port Trade Center	14,223
The Seaboard Building	65,000
Wachovia Bank	48,000

CLASS C
Crawford Executive Center20,340

SUFFOLK

CLASS A
MAST One60,000
JTASC Building408,365

CLASS B
Bridgeway Technology Center I125,000
Bridgeway Technology Center II67,500
Bridgeway Technology Center III72,384
Brinkley Building20,500
Brinkley Building II21,000
Harbour Breeze Professional Center52,265
Harbour View Medical Arts Center47,000
Harbor View Professional Center (1033 & 1035)23,000
Konikoff Medical Office Building22,675
Lakeview Technology GSA Center110,000
Lakeview Tech Center II86,400
Main Street Center13,800
Washington Street Center12,000

OWNER OCCUPIED
Rubicon NGP - Lakeview Technical Center351,075
Lockheed Martin50,000
Overton Building12,940
Rose & Womble Building25,000
Towne Bank Center19,318

DOWNTOWN HAMPTON

CLASS A
Harbour Centre158,855

CLASS B
10-16 W. Queens Way11,238
47 W. Queens Way12,500
Mill Point Center10,000
One Mallory Street14,000

CLASS C
55 W. Queens Way12,132

DOWNTOWN NEWPORT NEWS

CLASS B
2600 Building118,018
Wachovia Bank Building17,846

OWNER OCCUPIED
Newport News Shipbuilding, Bldg 520-521"50,000

HAMPTON ROADS CENTER

CLASS A
6 Manhattan Square30,106
1001 N Campus Parkway19,000
Allstate Building17,000
HealthNet Building60,482
Lakefront Plaza I77,442
Morgan Marrow Building12,000
Olympia Place72,395
Oxford Plaza64,297
Parkway Executive Center45,000
Research Quad - Building One60,000
Research Quad - Building Three100,000

CLASS B
400 Butler Farm Road96,446
404 Butler Farm Road54,715
421 Butler Farm Road56,515
Hampton I68,532
Hampton II67,000
Hampton III45,000
Hampton Technology Center I56,575
NDS Building35,000

Raytheon50,000
Research Office Building30,000

CLASS C
NASA Langley Research Center11,790
3217 Armistead Avenue24,043

COLISEUM CENTRAL

CLASS A
Claiborne Building (Regional Mall Office)150,000
Executive Tower134,164
Pinewood Plaza77,500

CLASS B
2115 Executive Drive62,000
2310 Tower Place10,500
Bank of America Building14,434
Colony Square of Hampton30,050
Riverdale Complex168,000
Sheraton Office Bldg.12,673
Todds Lane Professional Center12,500
West Telemarketing55,855

OWNER OCCUPIED
Langley Federal Credit Union72,800

NEWMARKET

CLASS B
Newmarket Building21,262
NetCenter546,171
UPS Call Center103,000

CLASS C
Rouse Tower150,000

OWNER OCCUPIED
NN Shipbuilding Employee Credit Union15,000

OYSTER POINT

CLASS A
601 Thimble Shoals Boulevard30,000
Atrium At Oyster Point62,971
Cedar One15,467
Cedar Two27,000
Contemporary Cybernetics60,000
Ferguson Corporate Center II150,000
Fountain Plaza One100,000
Fountain Plaza Two80,000
Fountain Plaza Three80,000
Langley Federal Centre51,982
Merchants Walk28,000
One City Center70,000
One Oyster Point36,226
Oyster Point Interstate Center64,000
Patrick Henry Corporate Center98,883
Riverside Health Center Building (Warwick)104,500
Peninsula Professional Building30,800
Rock Landing Corporate Center II33,476
SunTrust Building100,955
Symantec Corp. Building100,000
Tower Park (733 & 735 Thimble Shoals)31,667
Town Center One60,000
TowneBank Center60,000
Two City Center63,600
Two Oyster Point39,137
Turner Bldg (1060 Loftis)21,000
Wachovia Building42,921
William E Wood Building (1030 Loftis)26,000

CLASS B
11790 Jefferson Avenue20,662
745 Bluecrab (flex)16,000
BB&T Plaza (603 Pilot House)37,348
Cale Colony 1717,000
Canon Place26,000
Comb-Bay Park32,000
Dunwoody Place19,798
Executive Center95,399
Fishing Point Complex(flex)50,000
International Distribution Center36,000
McCale Professional Park40,000
Middle Ground Business Center62,000

Oyster Point Center44,000
Oyster Point Business Center25,000
Oyster Point Place (flex)38,000
Oyster Point West176,560
Park Central Executive Center54,425
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 IV18,125
Rock Landing Corporate Center V18,125
Technology Center (flex)81,000
Thimble Shoals Business Center (flex)55,377
Thimble Shoals Lakefront25,000

CLASS C
714-716-718 J.Clyde Morris Blvd.15,000
Drucker & Falk Building30,000
Pilgrim Landing10,650
Regent Park25,000

OWNER OCCUPIED
Applied Research Center121,000
Fountain Plaza Two80,000
Muller Martini Building24,000
Peninsula Retail Credit30,000

SUBURBAN NEWPORT NEWS

CLASS B
Bay Savings Bank Building18,000
Colony Square of Denbigh II26,100
Denbigh Professional Park40,598
Ferguson Enterprises75,800
MCI Building60,000
Tidewater Tech (616 Denbigh Blvd)15,778

CLASS C
Mariner Building26,000
Teagle Building22,000

OWNER OCCUPIED
CNU Building40,000

WILLIAMSBURG/JAMES CITY/YORK COUNTY

CLASS A
263 McLaws Circle26,967
Atrium Building24,000
Casey New Town - SunTrust60,000
Courthouse Green30,000
Design Center13,700
First Union Center32,000
Langley Federal Credit Union20,000
Williamsburg Commerce Center32,000
Palladian Office Building21,000
Patriot Park Business Center24,000
Sentara New Town Medical Building50,000
Sun Trust (Courthouse St.)60,000
William E. Wood Building20,000

CLASS B
104 Bypass Road11,100
7601 George Washington Memorial Highway10,000
Chartertowne Professional Center12,800
Greens Springs Office Park37,000
Kristinsand Office Park15,221
Packets Executive Center23,000
Quarterland Commons Office Condos120,000
Rivergate Center36,000
Wachovia Bank10,500
Williamsburg Office Park79,600

Disclaimer: The information in this report is deemed reliable. The Old Dominion University E. V. Williams Center for Real Estate and Economic Development makes no representation or warranty as to its accuracy.

BOLD indicates change/addition from last year.



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 Northern 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



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Our Hampton Roads Offices:

150 W. Main Street, Suite 1100
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PRESIDENT, TIDEWATER COMMUNITY COLLEGE

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RESIDENTIAL

2011
HAMPTON ROADS
REAL ESTATE
MARKET REVIEW

New Residential Market

Authors Blair Hardesty and Ron Wildermuth
**Data Analysis/
Layout** Residential DataBank

Existing Residential Market

Author James Pritchard
**Data Analysis/
Layout** Manager, Data & Analytics
Real Estate Information Network, Inc.
Hampton Roads MLS

**Financial
Support** The E. V. Williams Center for Real Estate and Economic
Development (CREED) functions and reports are
funded by donations from individuals, organizations
and the CREED Council.

Disclosure The data used for this report are deemed reliable; however,
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warranty as to its accuracy.

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 the year 2010. Included are the cities of Chesapeake, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg, and the counties of Gloucester, Isle of Wight, James City, and York. The new homes portion of the report also includes information for Franklin and Southampton, while the existing homes part of the report contains additional information on Surry, Matthews and Currituck. 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 sales data and existing home closings data was gathered from the Real Estate Information Network.



NEW CONSTRUCTION

In 2010, home builders withstood more pricing challenges, lower site traffic counts, and cautious, reluctant buyers. Foreclosures and short sales continued to place a drag on new home sales. Builders continued to rethink pricing and features, redesign product, adjust square footages and reevaluate their margin and sales expectations.

New construction closings in Hampton Roads declined 13.1 % in 2010 compared to 2009. Despite the decline there were many successes. These successes were due to several key factors. Some were the result of fresh new designs with compelling prices; others were due to superior locations, strong amenity packages, attractive community settings, unique and appealing home designs, outstanding sales and marketing teams or combinations of all of these factors.

Overall, average sales prices held steady region wide in 2010 for new construction detached, townhomes, duplexes and multi-plex homes. Results varied widely by jurisdiction, and declines, as well as increases, were experienced. Multi-story condominiums withstood further price deterioration due to the wide disparity between supply and demand.

The first time homebuyer made a strong showing in the spring thanks to government incentives, but most first time buyers were absent from the market in the summer and fall.

During the year the inventory drawdown was dramatic. The inventory of new homes has all but evaporated. Detached new home inventory is below a four month supply and attached new construction priced below \$350,000, excluding elevator-served condominiums, is down to a three month supply.

Looking ahead to 2011, expect foreclosure numbers to peak. Further pressure on prices is likely. Builder incentives will continue to play a key role in the selling process. Attractively priced lot opportunities will become more abundant as banks continue to adjust their portfolios. The bright spot is that the underlying unmet demand for housing, which has been building for three years, will begin to show itself in the marketplace toward the end of 2011 and into 2012 as consumers gain confidence and the economy gains strength.

AVERAGE PRICES

During 2010, the average price of a new construction, single family detached home in Hampton Roads was \$357,939, holding steady with the 2009 average price of \$358,884. The majority of municipalities have experienced declines in average closing prices year over year. Portsmouth had the largest percent decline in average closing price, down 10.6% to \$215,883 for the year. York County also experienced a notable decline with a loss of \$33,150 down to \$390,440 for the year.

The largest percent increase in average closing price occurred in Norfolk where the price increased 6.4% to \$340,412. The success at this year's Tidewater Builder's Association Homearama contributed in large part to the increase in average price. East Beach accounted for 25% of Norfolk's new, detached housing in 2010 with 21 closings recorded. These closings averaged \$603,021.

Virginia Beach had the highest average closing price for a new detached home in Hampton Roads. The average closing price for 2010 was \$426,269. The average closing price for a fee simple detached home in Virginia Beach was \$440,868. The average price for a detached condominium was \$394,295.

The average closing price of a multi-story condominium unit in an elevator-served building was \$367,576. This is a decline of 28.6% from 2009. The average closing price of a multi-story condominium unit in a non-elevator served building was \$171,791 during 2010, down 4.8% from year ago numbers. Virginia Beach had the largest decline in average closing price for multi-story condominiums during 2010, down 30.8% to \$271,988.



TABLE I New Construction Permits And Closing Activity
2009 VERSUS 2010

All Product Types Area	2009 Permits	2010 Permits	+ / - % Diff	2009 Closings	2010 Closings	+ / - % Diff
Chesapeake	646	734	13.6%	594	536	-9.8%
Franklin/Southampton	59	46	-22.0%	29	16	-44.8%
Gloucester	132	109	-17.4%	94	37	-60.6%
Hampton	129	141	9.3%	111	106	-4.5%
Isle of Wight	134	121	-9.7%	100	95	-5.0%
James City County	319	469	47.0%	311	334	7.4%
Newport News	80	183	128.8%	100	98	-2.0%
Norfolk	244	173	-29.1%	226	165	-27.0%
Portsmouth	82	61	-25.6%	68	45	-33.8%
Suffolk	357	302	-15.4%	303	272	-10.2%
Virginia Beach	509	585	14.9%	680	557	-18.1%
Williamsburg	40	34	-15%	12	22	83.3%
York County	181	149	-17.7%	143	126	-11.9%
TOTALS	2,912	3,107	6.7%	2,771	2,409	-13.1%

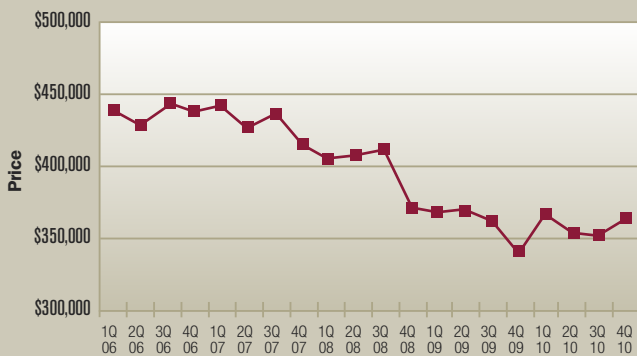
The multi-plex condominium closing prices remained relatively unchanged in 2010 versus 2009. The average closing price for a new multi-plex condominium was \$229,325, up 0.13%. The majority of municipalities had increases in average closing price with the largest percent increase occurring in York County, where the average price increased 8.2% to \$336,490. York County currently has the highest average closing price for multiplexes in Hampton Roads.

The largest percent decline occurred in Newport News, down 20.4%; however, only four closings were recorded which is not a large enough data set to conclude an accurate overall average price. Chesapeake had the only significant decline in average price for a multi-plex condominium. The average price was \$210,398, down 2.7% from last year. The average price of a new multi-plex condominium unit in Chesapeake has declined over the last five years primarily due to the availability of smaller less expensive homes like The Dragas Companies is currently building in the Kempsville Road area.

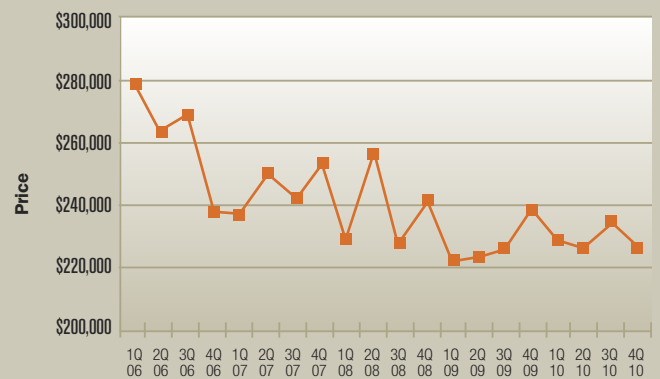
The average closing price for a new construction townhome or duplex was \$268,376 during 2010 in Hampton Roads. This represents a slight increase of 1.3% year over year; however, only Norfolk and Virginia Beach saw increases in average closing prices, with increases of 20.3% and 10% respectively. Newport News had the largest decline in average closing price, with a drop of \$28,522 (10.8%) from 2009. The current average closing price for a new construction townhome in Newport News is \$181,541.

In 2010, the City of Virginia Beach had the highest average closing price for a new townhome or duplex in Hampton Roads at \$338,092. The City of Portsmouth had the lowest average at \$164,415.

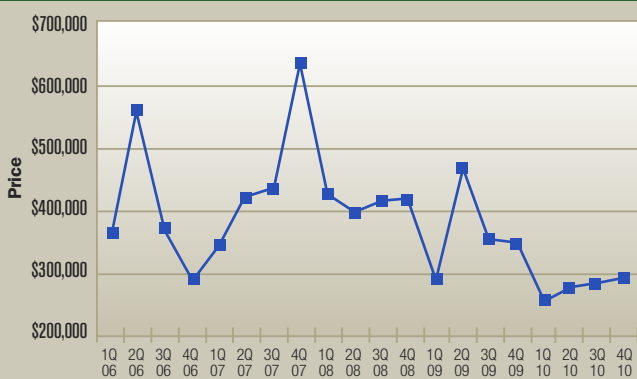
GRAPH I Hampton Roads Average Closing Price New Single Family Detached



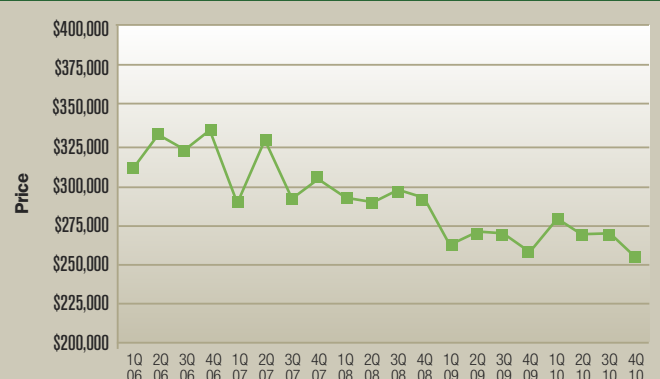
GRAPH II Hampton Roads Average Closing Price New Multi-Plex Condominium



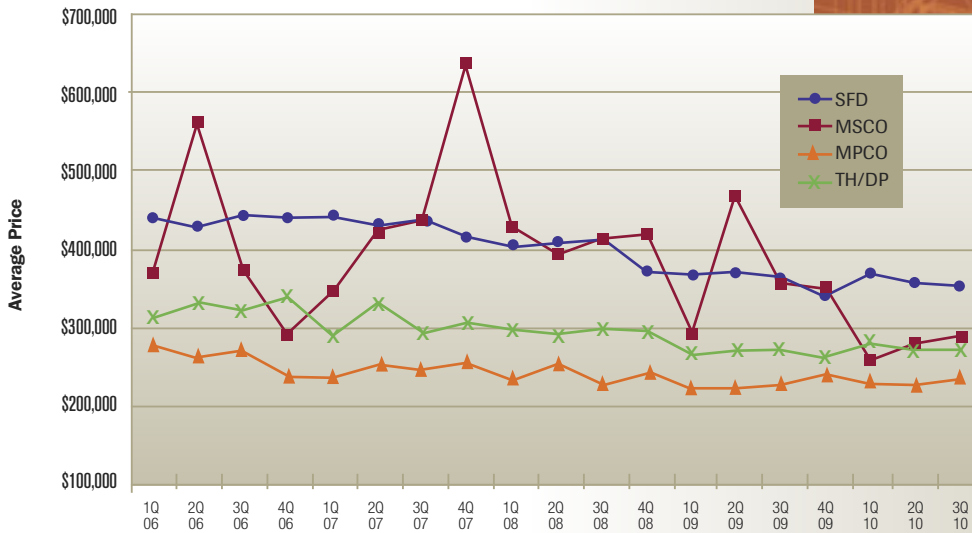
GRAPH III Hampton Roads Average Closing Price New Multi-Story Condominium



GRAPH IV Hampton Roads Average Closing Price New Townhome/Duplex



Hampton Roads Average Closing Price Residential New Construction



INDIVIDUAL MARKET SEGMENTS

Single Family Detached homes still account for the majority of new construction in Hampton Roads with 61% of new construction closings and 68% of new construction permits during 2010. However, the market share of detached housing has dropped significantly from 2000, when detached housing accounted for 79% of all new residential closings and 82% of new residential building permits.

There were 2,108 new single family detached permits issued in Hampton Roads during 2010. This is an increase of 9.1% year over year. More than 66% of the permits issued were on the Southside, with Chesapeake accounting for 22.3% of all detached permits issued. James City County experienced the largest increase in detached permits issued, up 52.7% to 342 from last year.

Closings for 2010 were down 5.9% versus 2009, with 1,473 recorded in Hampton Roads. James City County had the most notable increase in the number of closings recorded, up 31.6% to 204 closings for the year. The largest percent decline occurred in Gloucester. During 2009 there were only 35 detached closings recorded, versus 89 last year, down 60.7%. Chesapeake continues to account for a significant portion of new detached housing, with 352 closings recorded for a 23.8% market share. Virginia Beach was the second highest with 319 closings and a 21.6% housing market share of new detached homes.

The top fee-simple, single family detached subdivision in Hampton Roads for permits and closings was Colonial Heritage by Lennar Corporation in James City County. There were 67 detached permits issued during 2010 in Colonial Heritage and there were 48 detached closings recorded with an average price of \$342,991.

The top detached condominium subdivision for 2010 was Sajo Farm in Virginia Beach. There were 46 permits issued during the year, 34 for Terry · Peterson Residential and 12 for Napolitano Homes. In addition, Terry · Peterson Residential was issued 13 permits for Lakeside Cove at Sajo Farm, the paired home component of the neighborhood. Detached homes in Sajo Farm are currently starting in the low 300's.

The top detached condominium subdivision for closings was Sherwood Lakes in Virginia Beach with 42 closings recorded during 2010. Home Associates of Virginia Inc closed the majority of the units with 28 closings recorded. These units had an average price of \$402,171, with a range of \$350,105 to \$508,616. HBD Build closed 13 units during 2010 with an average price of \$478,368. There was one bank owned new construction closing, for a home built by Commonwealth Custom Home Builders.

Ryan Homes was the top builder of new detached fee simple housing during 2010. Ryan had 89 permits issued and 62 closings recorded in five communities on the Peninsula. Stonehouse Glen and Fenwick Hills, with 18 detached closings

There were 2,108 new single family detached permits issued in Hampton Roads during 2010. This is an increase of 9.1% year over year.

recorded in each community, netted the most closings for Ryan. Fenwick Hills had an average closing price of \$287,825 and Stonehouse Glen had an average closing price of \$409,521. Most recently, Ryan Homes has begun building at The Settlement at Powhatan Creek and Burlington Woods.

Terry · Peterson Residential was the top builder of new detached condominiums during 2010. Terry · Peterson Residential had 54 detached condominium permits issued and 46 closings recorded in four separate communities on the Southside. Their latest community, Gables at Riverfront opened for sales in October. Additionally, Terry · Peterson had 26 permits issued and 47 closings recorded for other product types.

The **Multi-Story Condominium** market experienced very little activity during 2010.

There were 147 permits issued for the year, less than 5% of all new residential permits. Of these, only 21 were for an elevator-served community, Windy Knoll's, in Newport News. The remaining permits were issued to Colonial Crossing in Newport News, Southmoor at Ridgely Manor in Virginia Beach, and Kings Pointe at Western Branch in Chesapeake. There were 144 closings recorded, a decline of 26.5% year over year. There were 79 closings for elevator served buildings and 65 for non-elevator served.

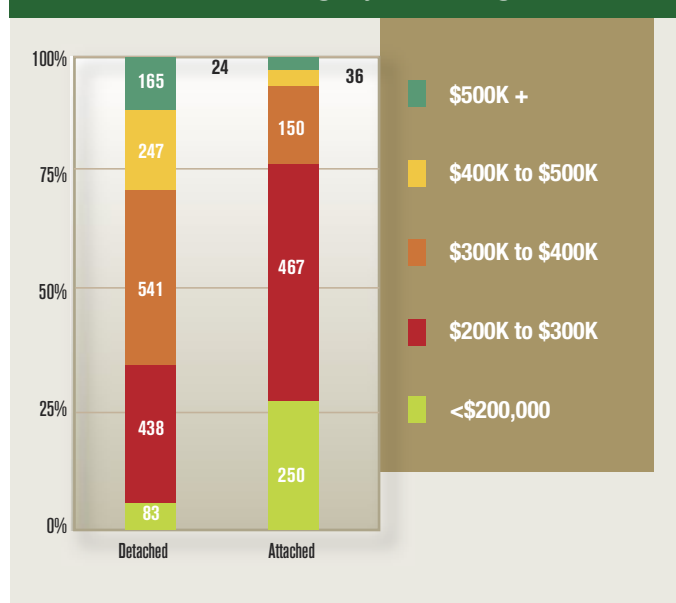
Southmoor at Ridgely Manor by The Dragas Companies had the highest number of non-elevator served multi-story condominium closings recorded for the year. There were 55 closings recorded with an average closing price of \$176,602. Compared to last year, Southmoor had a 33.7% drop in closings and a 2.2% reduction in average closing price.

Old Beach Village by the Ainslie Group in Virginia Beach had the highest number of closings for an elevator-served multi-story condominium community. The community had 12 closings recorded with an average price of \$367,363. These units had an average size of 1,601 square feet, yielding a price per square foot of \$229.23.

The **Multi-Plex Condominium** market held steady in the number of permits issued during 2010. There were 246 permits, only one permit less than 2009. There were 233 closings recorded, a decrease of 24.8% from 2009. Chesapeake continues to have the most multi-plex activity with 53% of the permits issued and 46% of the closings recorded.

The top multi-plex condominium community for permits and closings was Brighton Park at Greenbrier by The Dragas Companies. The community had 71 closings recorded for the year with an average price of \$207,549.

GRAPH V Market Share for New Construction 2010 Closings by Price Range



The number of Townhome and Duplex permits in 2010 was the same as 2009, with 606 issued. Permits were evenly distributed between the Southside and the Peninsula with 306 to the Southside areas and 300 to the Peninsula areas.

The Dragas Companies continue to dominate the multi-plex condominium market in Hampton Roads. They currently have three multi-plex communities in Chesapeake — Brighton Park, Oakbrooke Crossing, and Kings Pointe. Kings Pointe is their newest community and is expected to open for sales this spring. The builder was issued 121

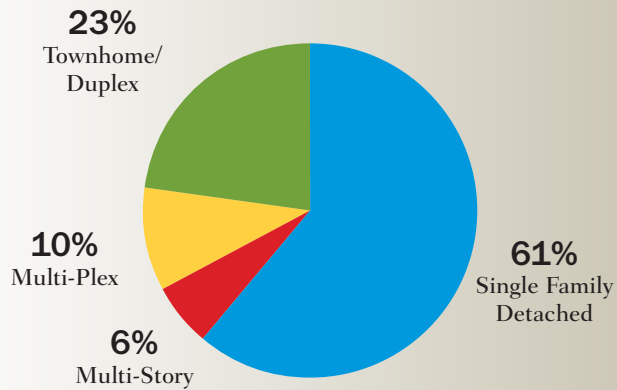
building permits for new residential multi-plex units during 2010, nearly half of all multi-plex permits. They recorded 95 multi-plex condominium closings during the year, representing 40.7% of the Hampton Roads multi-plex market.

The number of **Townhome and Duplex** permits in 2010 was the same as 2009, with 606 issued. Permits were evenly distributed between the Southside and the Peninsula with 306 to the Southside areas and 300 to the Peninsula areas. Virginia

Beach had the highest number of permits issued on the Southside with 115 and Newport News had the highest number on the Peninsula with 108.

Closings for townhomes and duplexes had the smallest decline of the new attached market. There were 559 closings recorded, down 20% from 699 closings last year. Norfolk had the largest percent decline year over year, down 32.8% to 43 closings. Only Newport News and the City of Williamsburg had small increases in the number of closings. Newport News closings increased 11.1% to 50 recorded closings and the City of Williamsburg increased 75% to 21 closings for the year. Virginia Beach had the largest number of townhome/duplex closings with 152 recorded, 27.1% of the market.

GRAPH VI New Construction Closings Product Mix 2010



The 2010 top townhome/duplex community in Hampton Roads for permits was Meridian Parkside by HHHunt Homes in Newport News with 33 permits issued. For closings, the top community was Lakeside Cove at Sajo Farms in Virginia Beach by Terry · Peterson Residential with 26 townhome closings. The Terry · Peterson units had an average price of \$378,090, an average size of 2,562 square feet, and a price per square foot of \$147.72.

Ryan Homes had the largest number of townhome and duplex permits issued in Hampton Roads during 2010. They had 70 permits issued across three communities on the Peninsula: Liberty Crossing, Whitehall, and Riverwalk Townes. Chesapeake Homes was the top builder for closings of townhomes and duplexes. The builder closed 74 units during the year, with a large percentage of the closings occurring in Nichols Park at Lexington in Virginia Beach. The community had 22 closings in 2010 with an average price of \$287,905.

AGE RESTRICTED COMMUNITIES

There are currently 13 age restricted communities in Hampton Roads. During 2010 these communities were issued a total of 205 permits, an increase of 14.5% compared to 2009. There were 172 closings recorded, up 33.3% from 2009. This yields an absorption rate of 14.3 closings per month and an average of one closing per month per community. Based on the 2010 closing pace and an estimated inventory of 130 units, there is a nine month supply.

The top age restricted community in Hampton Roads was Colonial Heritage in James City County by the Lennar Corporation. There were 81 permits issued. The 68 closings recorded during 2010 consisted of 48 detached homes with an average price of \$342,991 and 20 attached homes with an average price of \$241,306.

TOTAL MARKET NUMBERS

For all housing types in the for-sale market, new residential permits are up 6.7% from 2009. The Southside areas accounted for 65% and the Peninsula accounted for 35%. Closings were down 13.1% year over year, with 2,409 new residential construction closings recorded. The Southside areas closed 1,686 homes or 70% of the market, while the Peninsula closed 723 new homes.

The average price for new construction homes in Hampton Roads was \$319,896, a slight decline of 0.56% from 2009. The average price on the Southside was \$329,627, down 1% and on the Peninsula the average price was \$297,204 up 1.8%.

The top builders for 2010 in Hampton Roads were The Dragas Companies, Ryan Homes and Chesapeake Homes. In terms of permits, Dragas was number one with 235 permits, followed by Ryan Homes with 159 and Chesapeake Homes with 121. In terms of closings, Dragas was number one with 165 closings recorded, followed by Chesapeake with 137 and Ryan with 127. In terms of volume, Chesapeake Homes is number one with \$38,690,774, followed by Ryan with \$37,088,187 and Dragas with \$33,790,273.

TABLE II Southside Top Subdivisions Ranked by Permits

#	Community	Builder	No. of Permits Issued
1	Kings Pointe, C	Dragas Companies	72
2	Southmoor, V	Dragas Companies	66
3	Sajo Farm, V	Terry•Peterson Res & Napolitano Ent	59
4	Brighton Park, C	Dragas Companies	50
5	Sherwood Lakes, V	HAV Inc & HBD Build	47
5	Oakbrooke Crossing, C	Dragas Companies	47
6	Culpepper Landing, C	Various Builders	37
7	Harbour Breeze Estates, C	Beco Homes, Ashdon Builders	34
7	Woodbridge Point, V	Various Builders	34
8	East Beach, N	Various Builders	33
9	Heritage Park, V	Various Builders	32
10	Warrington Hall, C	W H Builders & Corinth Homes	29

TABLE III Peninsula Top Subdivisions Ranked by Permits

#	Community	Builder	No. of Permits Issued
1	Colonial Heritage, J	Lennar Corp	81
2	Whitehall, J	Ryan Homes & HHHunt Homes	48
3	Fords Colony, J	Various Builders	34
4	Hampshire Glen, H	Various Builders	33
4	Meridian at Parkside, NN	HHHunt Homes	33
4	Colonial Crossing, NN	Moody Homes	33
5	Orcutt Avenue, NN	NN Redevelop & Hous Auth	30
6	Village at Quarterpath, W	Royal Dominion Homes	29
7	Old Point, H	North Shore Constr	27
8	New Town, J	GCR Inc & Atlantic Homes	26
8	Riverwalk Townes, Y	Ryan Homes	26
9	Greensprings West, J	Various Builders	25

TABLE IV Southside Top Subdivisions Ranked by Closings

#	Community	Builder	No. of Permits Issued	Average Price
1	Brighton Park, C	Dragas Companies	71	\$207,549
2	Sajo Farm, V	Terry•Peterson Res & Napolitano Ent	60	\$400,295
3	Southmoor, V	Dragas Companies	55	\$176,602
4	Sherwood Lakes, V	HAV Inc & HBD Build	42	\$425,940
5	Culpepper Landing, C	Various Builders	37	\$339,961
6	Woodbridge Point, V	Various Builders	33	\$383,148
7	East Beach, N	Various Builders	32	\$558,127
8	Grassland Farms, V	Pace Constr & Dev	29	\$314,800
9	Parkside, S	Chesapeake Homes	27	\$329,380
9	Harbour Breeze Estates, C	Beco Homes, Ashdon Builders	27	\$285,792
10	Heritage Park, V	Various Builders	26	\$571,805
10	Hampton Roads Crossing, S	Terry•Peterson Res	26	\$232,426

TABLE V Peninsula Top Subdivisions Ranked by Closings

#	Community	Builder	No. of Permits Issued	Average Price
1	Colonial Heritage, J	Lennar Corp	68	\$313,084
2	Whitehall, J	Ryan Homes & HHHunt Homes	37	\$263,230
3	Colonial Crossing, NN	Moody Homes	32	\$170,418
4	Hampshire Glen, H	Various Builders	26	\$316,552
4	Michelle Point, J	Health E Community	26	\$200,450
5	Liberty Crossing, J	Ryan Homes	23	\$226,259
6	New Town, J	GCR Inc & Atlantic Homes	22	\$271,009
7	Village at Quarterpath, W	Royal Dominion Homes	21	\$274,654
7	Riverwalk Townes, Y	Ryan Homes	21	\$243,761
8	Fenwick Hills, J	Affordable Homes & Ryan Homes	20	\$282,983
9	Stonehouse, J	Various Builders	19	\$413,705
9	Highgrove, Y	Centex Homes	19	\$262,481

**TABLE VI Top Hampton Roads Builders
By Permits Issued, Closings Recorded & Total Revenue**

Permits Issued		Closings			
Builder	Permits Issued	# Of Closings		Total Revenue	
		Builder	Closings Recorded	Builder	Total Volume
1 DRAGAS COMPANIES	235	1 DRAGAS COMPANIES	165	1 CHESAPEAKE HOMES	38,690,774
2 RYAN HOMES	159	2 CHESAPEAKE HOMES	137	2 RYAN HOMES	37,088,187
3 CHESAPEAKE HOMES.....	121	3 RYAN HOMES	127	3 DRAGAS COMPANIES	33,790,273
4 LENNAR CORP	81	4 TERRY/PETERSON RES	93	4 TERRY/PETERSON RES	29,897,051
5 TERRY/PETERSON RES	80	5 LENNAR CORP	68	5 NAPOLITANO ENT INC	21,733,046
6 HHHUNT HOMES	79	6 FRANCISCUS CO INC	63	6 LENNAR CORP	21,289,686
7 NAPOLITANO ENT INC	70	7 NAPOLITANO ENT INC	58	7 MCQ BLDRS & DEV INC.	15,973,000
8 FRANCISCUS CO INC.....	59	8 MCQ BLDRS & DEV INC.	52	8 HOME ASSOCIATES OF VA ...	15,186,501
9 MCQ BLDRS & DEV INC.....	55	9 HEARNDON CONSTR CORP	49	9 FRANCISCUS CO INC	15,113,268
10 BECO CONSTRUCTION INC	53	10 HHHUNT HOMES	47	10 HEARNDON CONSTR CORP ..	14,324,785
11 HOME ASSOCIATES OF VA.....	49	11 L L BLDG CORP	45	11 HHHUNT HOMES	14,214,790
12 ASHDON BUILDERS INC	41	12 PACE CONSTR & DEV CORP	44	12 AINSLIE GROUP INC.	12,953,106
13 VILLA DEVELOPMENT.....	40	13 MOODY DEV CORP	41	13 PACE CONSTR & DEV CORP ..	12,546,010
13 MOODY DEV CORP.....	40	14 CENTEX HOMES	36	14 L L BLDG CORP	12,171,239
14 CENTEX HOMES.....	38	15 HOME ASSOCIATES OF VA	35	15 BISHARD DEV CORP	11,338,119
15 PACE CONSTR & DEV CORP.....	31	16 BISHARD DEV CORP	34	16 CENTEX HOMES	10,457,531
15 BISHARD DEV CORP.....	31	17 VILLA DEVELOPMENT	31	17 VILLA DEVELOPMENT	10,334,252
16 STEPHEN ALEXANDER HOMES.....	30	17 BECO CONSTRUCTION INC	31	18 ASHDON BUILDERS INC.	9,612,781
16 HEARNDON CONSTR CORP.....	30	17 AINSLIE GROUP INC.	31	19 TERRY INDUSTRIES	9,497,743
16 ROYAL DOMINION HOMES	30	18 HEALTH E COMMUNITY ENT INC ...	27	20 SADLER BLDG CORP	9,483,154
16 L L BLDG CORP.....	30	19 ETHERIDGE CONSTRUCTION	26	21 L R HILL CUSTOM BLDR	8,904,378
16 NORTH SHORE CONSTR CO	30	20 SADLER BLDG CORP	25	22 STEPHEN ALEXANDER HOMES INC	8,666,366
16 N N REDEV & HOUSING AUTH	30	20 VIRGINIA ENT INC	25	23 SUMMIT CONSTR CORP	8,554,163
17 SUMMIT CONSTR CORP	27	21 ASHDON BUILDERS INC.	24	24 ETHERIDGE CONSTRUCTION ..	8,320,925
18 SADLER BLDG CORP	26	21 TERRY INDUSTRIES	24	25 VIRGINIA ENT INC	7,973,880
18 CMH HOMES INC.....	26	21 ASSOCIATED CONTR SVC INC.	24	26 BECO CONSTRUCTION INC	7,937,710

EXISTING HOMES

The existing residential real estate market in Hampton Roads experienced early highs, a sharp fall, and ended with signs of stabilizing and promise upon the horizon. The federal first-time home-buyer's tax credit spawned a rush of home purchases during the first third of the year. But, once the tax credit expired, the existing home real estate market dropped sharply as the sting of sales being pulled forward was felt. Once the brunt of displaced sales was tamed, the market began to stabilize and ended with a key leading indicator pointing towards better sales activity in the near future.

The number of existing homes actively for sale in the Hampton Roads region declined by 2.6%, as measured at the end of the year, when compared to 2009. At the end of 2009, there were 10,077 existing homes for sale, but the active market fell to 9,809 existing homes for sale



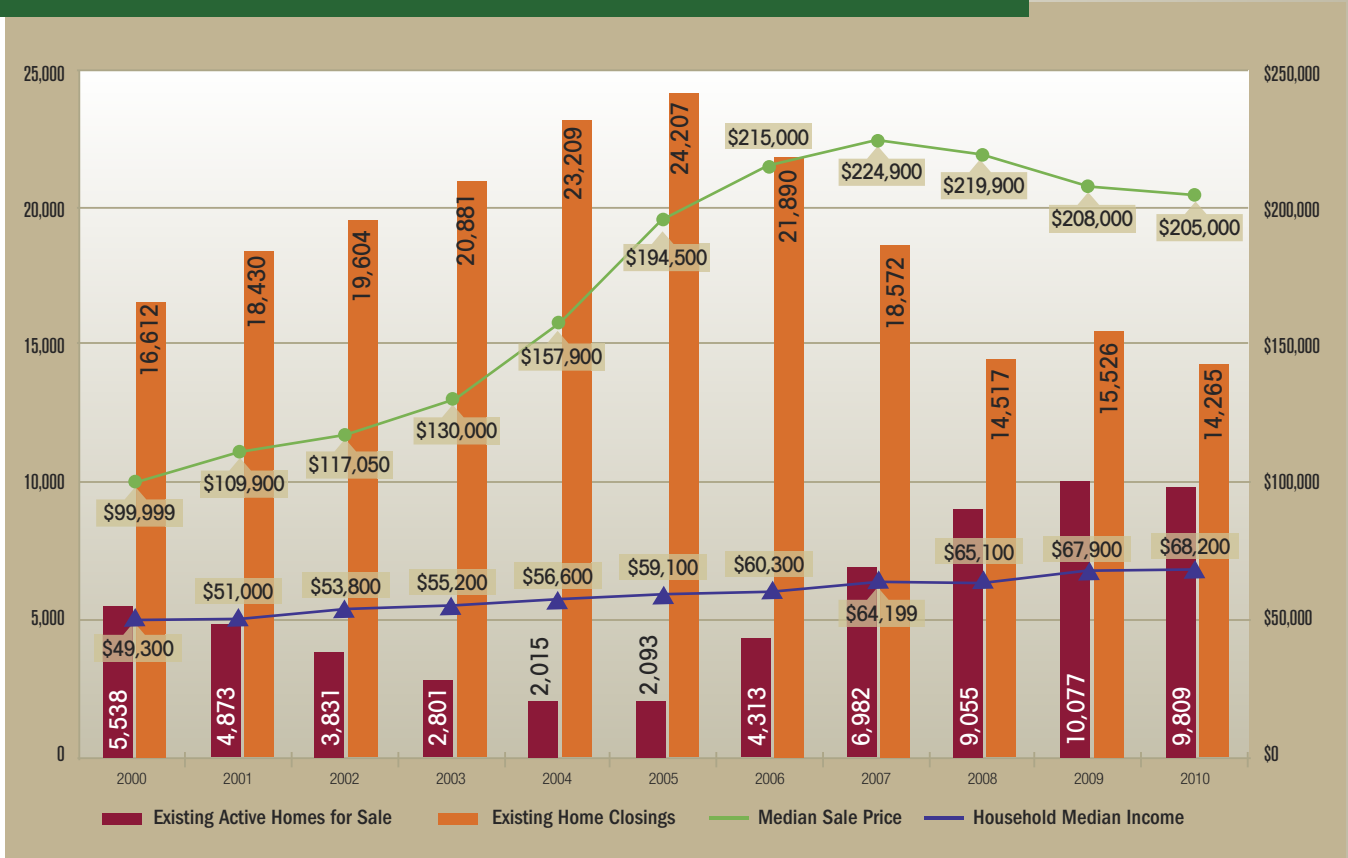
The federal first-time home-buyer's tax credit spawned a rush of home purchases during the first third of the year. But, once the tax credit expired, the existing home real estate market dropped sharply as the sting of sales being pulled forward was felt. Once the brunt of displaced sales was tamed, the market began to stabilize and ended with a key leading indicator pointing towards better sales activity in the near future.

at the end of 2010. The continuing high amount of existing homes for sale, combined with the decline in the number of closings, pushed the months' supply of inventory in the Hampton Roads region to 10.9 months. This change represents an increase of two months when compared to the months' supply measured at the end of 2009.

Distressed homes, those that are bank owned or short sales, comprised between 17% and 25% of the active existing

homes for sale in the region throughout the year. The monthly percentage distressed homes comprised of the total existing active market in 2010 was larger than any individual month during 2009 when the measure peaked at 16% in December 2009. The average percentage distressed homes comprised of the active existing market each month in 2009 was 13%, whereas in 2010, the average percentage climbed to 20% each month and peaked in December at 25% of the existing active market in the region.

Distressed homes also continued to affect the market correction process as they increased as both a percentage of existing homes for sale and those that closed in 2010. For the year, distressed homes comprised 25.8% of existing residential closings. On a monthly basis, the percentage of closings that were distressed ranged from 21% to 35% per month throughout 2010. The total number of existing distressed home closings in 2010 was up 28% to 3,634 when compared to the 2,828 that closed in 2009. These distressed home sales had a negative impact on the median sale price of existing homes in the region by pulling it lower due to the median sale price of existing distressed homes for 2010 being \$150,000, which is \$70,000 lower than the median sale price for existing non-distressed homes. At \$220,000, the median sale price of non-distressed homes saw a \$5,000 increase from 2009. The median sale price of existing distressed homes dropped 9% from 2009 and negated the 2.3% gain in median sale price of non-distressed existing homes that closed in 2010.



The 2010 median sale price of all existing homes in the Hampton Roads region was \$205,000, a 1.4% decline from 2009. The average sale price of all existing homes was relatively flat at \$231,552, down 0.7% from 2009. The drops in both median and average sales prices were smaller than forecasted at the beginning of the year despite the average sale price to list price ratio remaining steady at 96% in 2010 from 2009. Only attached existing home sales experienced a slight decline in average sale price to list price ratio from 97% in 2009 to 96% in 2010.

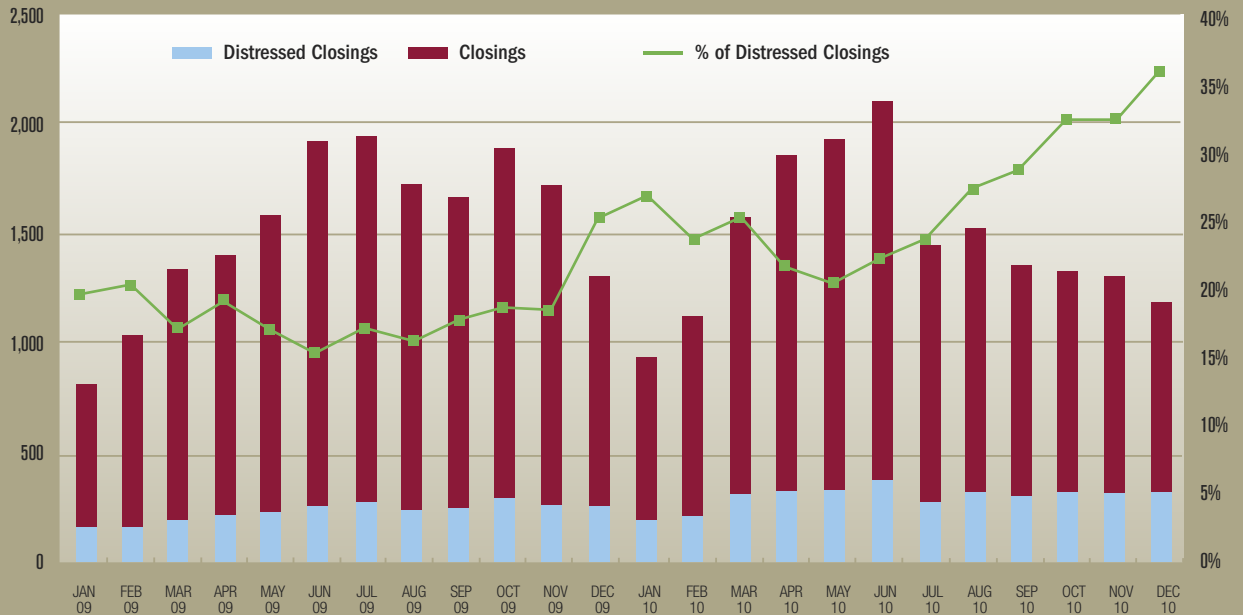
Williamsburg showed the only significant increase in the sale price to final list price ratio for individual cities and counties. Williamsburg's percentage increased from 94% in 2009 to 96% in 2010. Mathews County and Isle of Wight County also showed gains in the sale price to list price ratio in addition to Williamsburg, though each was less than one percent. At the other end of the spectrum, Hampton and Portsmouth showed the largest declines, 1.9% and 1.4% respectively. The majority of municipalities were relatively flat with the sale price to list price ratio each dropping less than one percent in 2010 from 2009.

James City County had the highest median existing home sale price at \$295,000 in 2010, down from a me-

Average Days on the Market



Existing Real Estate Closings

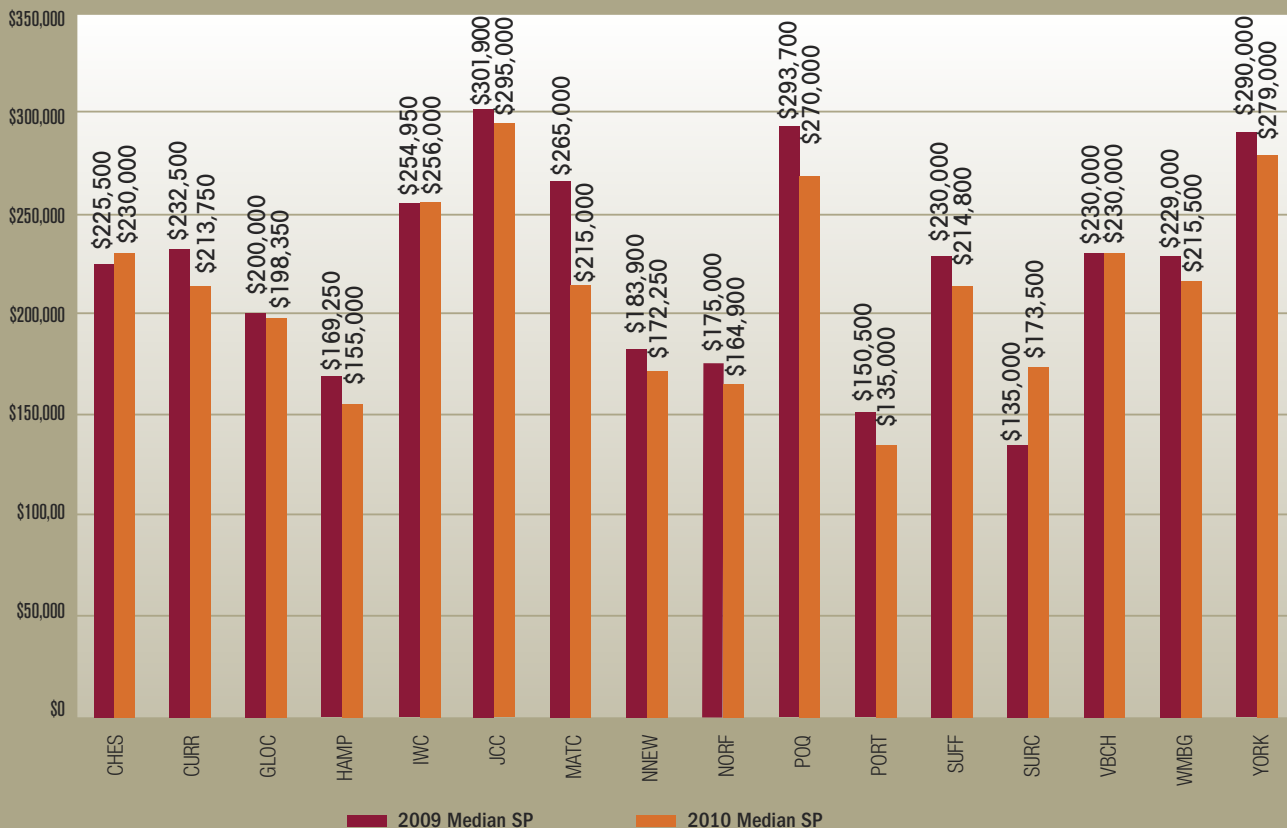


dian of \$301,900 in 2009. For 2010, only Chesapeake and Surry County experienced rising median sale prices for existing homes of significance, 2% and 29% respectively. Only two other areas avoided drops in median sale prices, Virginia Beach and Isle of Wight County. The median sale price in Virginia Beach was flat year-over-year at \$230,000 and Isle of Wight County had a slight increase of 0.4%, otherwise all of the local cities and counties had median price declines when compared to 2009. Portsmouth and Mathews County experienced the largest declines in median sale prices of existing homes, 10% and 19% respectively.

The average number of days a home spent on the active market for sale, or market time, for existing homes that closed in 2010 in the Hampton Roads region was 87 days, the same as in 2009. This was the first year without an increase since 2004. The stabilizing of this measure may signify a leveling and strength in the real estate market, but the statistic is susceptible to manipulation and may not be truly indicative of the time it takes to sell a home. For instance, when the same measure is taken for all existing homes that exit the active market (i.e. the home becomes no longer for sale due to closing, listing expiration, contract fall through, or the listing is withdrawn from the active market) the average number of days on market was 128 for 2010, whereas it was 125 days for 2009, much larger than the market time of only those homes that closed.

Detached homes accounted for 79% of all existing home closings in 2010, up 2% from 2009. The number of closings was down 7% for detached existing homes in 2010 when compared to 2009. The median sale price for detached homes in 2010 was \$220,000, down 2.2% from 2009's measure. The Southside's cities and counties comprised 72% of all the existing detached home closings in 2010. Virginia Beach had the highest percentage, 26%, for any single city or county for the Hampton Roads region.

Existing Homes Median Sale Prices





As for attached homes, the median sale price of existing homes that closed in 2010 was \$165,900, a drop of 2.4% from 2009. Existing attached home closings were down 17% when compared to 2009. As with detached existing homes, the majority of attached existing homes were sold in the Southside cities and counties, 80%. Virginia Beach comprised 55% of all the attached existing home closings in the Hampton Roads region and 68% of the attached existing home closings on the Southside.

Looking forward, early 2011 existing real estate closings show promise. This is based, in part, by the rise of homes under contract in December 2010. The number of homes that go under contract during a month is often referred to as a key leading indicator of the real estate market. In December 2010, the Hampton Roads region experienced a 1.8% increase over December 2009. Though not all of these homes will likely become closed existing home sales, the majority will and that should translate into the beginnings of growth in the residential real estate market for Hampton Roads in 2011.

Closings By Type and City

City/ County	DET Sold 2009	DET Sold 2010	% Change	ATT Sold 2009	ATT Sold 2010	% Change	Total 2009	Total 2010	% Change
CHES	1817	1804	-0.72%	438	333	-23.97%	2255	2137	-5.23%
CURR	26	26	0.00%	0	0	N/A	26	26	0.00%
GLOC	243	209	-13.99%	3	7	133.33%	246	216	-12.20%
HAMP	1080	941	-12.87%	156	118	-24.36%	1236	1059	-14.32%
IWC	215	195	-9.30%	21	32	52.38%	236	227	-3.81%
JCC	344	359	4.36%	79	76	-3.80%	423	435	2.84%
MATC	27	19	-29.63%	0	0	N/A	27	19	-29.63%
NNEW	1312	1098	-16.31%	346	232	-32.95%	1658	1330	-19.78%
NORF	1598	1507	-5.69%	247	206	-16.60%	1845	1713	-7.15%
POQ	66	67	1.52%	4	10	150.00%	70	77	10.00%
PORT	863	819	-5.10%	125	104	-16.80%	988	923	-6.58%
SUFF	766	684	-10.70%	107	81	-24.30%	873	765	-12.37%
SURC	19	24	26.32%	0	0	N/A	19	24	26.32%
VBCH	3162	2979	-5.79%	1878	1617	-13.90%	5040	4596	-8.81%
WMBG	32	32	0.00%	16	23	43.75%	48	55	14.58%
YORK	397	342	-13.85%	140	112	-20.00%	537	454	-15.46%

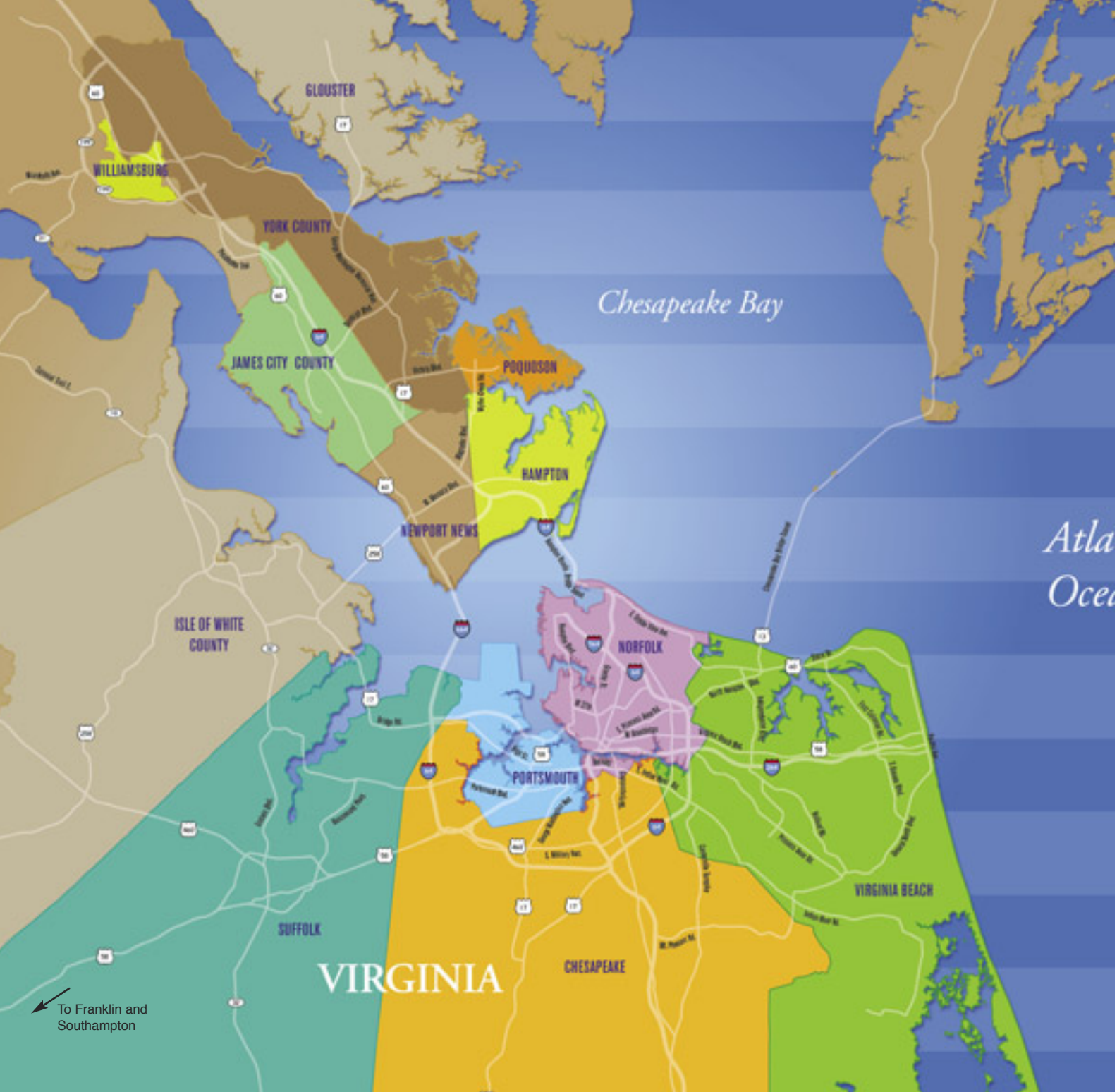
About the Data:

The underlying data the resale home closing statistics are based upon is the collection of those closings belonging to Real Estate Information Network, Inc. (REIN) members only. The data for each sales transaction was input by hand and therefore may contain some errors at the individual home sale level. But, as a collection, this data represents the timeliest and most accurate dataset of resale homes for the entire Hampton Roads region.

The strength of the data set lies within its proximity to origin and depth. The MLS (Multiple Listing Service) data is considered the deepest of any resale home database due to the sheer number of rich data fields within the database and the information contained within. The information is also being keyed by either the actual listing agent or administrative staff of the same real estate firm. The combination of these two key elements allows the MLS data to be more precise than many other information repositories and vastly timelier.

But, MLS data does have weaknesses. Most notably is the portion of the dataset at the edges of the MLS's boundaries. Usually, MLS membership wanes around the borders of the coverage area, due to overlapping MLSes. In such overlap areas, any given real estate broker may choose to join only one of the two or more MLSes that cover the particular area. For the local MSA and the region covered by REIN, this translates into less than ideal accountability for sales in North Carolina, Northern Neck areas of Virginia, and the Williamsburg area.

As for REIN, it is an independent MLS owned by broker stockholder members. Currently, there are approximately 485 real estate firms with over 6,100 real estate agents serving the entire Hampton Roads region.



Residential Submarkets (New Construction)

Southside

- Chesapeake.
- Franklin/Southampton
- Isle of Wight Co
- Norfolk
- Portsmouth
- Suffolk
- Virginia Beach

Peninsula

- Gloucester
- Hampton
- James City County
- Newport News
- York County

Residential Submarkets (Existing Homes)

Southside

- Chesapeake
- Currituck
- Isle of Wight Co
- Matthews
- Norfolk
- Portsmouth
- Suffolk
- Surry
- Virginia Beach

Peninsula

- Gloucester
- Hampton
- James City County
- Newport News
- York County



2011
HAMPTON ROADS
REAL ESTATE
MARKET REVIEW

MULTI-FAMILY

Author Charles Dalton

**Data Analysis/
Layout** Real Data

**Financial
Support** The E. V. Williams Center for Real Estate and Economic Development (CREED) functions and reports are funded by donations from individuals, organizations and the CREED Council.

Disclosure The data used for this report are deemed reliable; however, neither Old Dominion University, the E. V. Williams Center for Real Estate and Economic Development, nor sponsoring companies and/or individuals makes any representation or warranty as to its accuracy.

General Overview

The Virginia Beach-Norfolk-Newport News Apartment 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. Combined, these areas contain a survey base of over 92,000 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. The Southside area is south of the James River and contains Chesapeake, Norfolk, Portsmouth, Suffolk and Virginia Beach. The cities with the highest concentration of units are Virginia Beach and Newport News, which accounts for nearly one half of the region's apartment units.

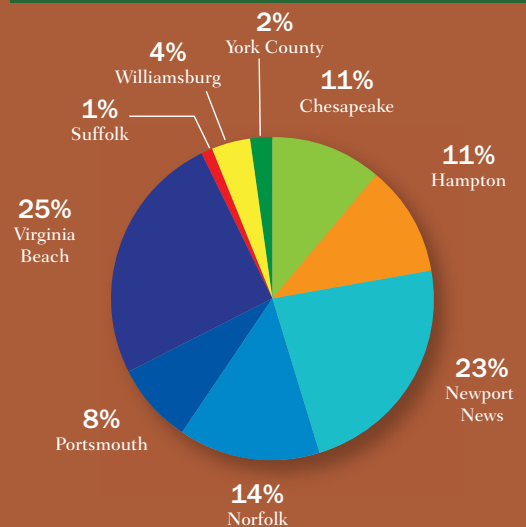
Like the rest of the country, the Hampton Roads apartment market weakened in 2008 and 2009 as the housing bubble collapsed and the economy entered into a recession. Occupancy rates fell to their lowest level in over ten years in the first quarter of 2009 and rent growth was stagnant for most of 2008 and 2009. Since that time, occupancies have steadily improved with average occupancy rising to 94.7% in the fourth quarter of 2010. The turnaround is due to strengthening demand for rentals in lieu of home ownership and a limited development pipeline which has kept supply in check.

Development activity remains moderate. As of October 2010, there were only 1,100 units under construction; however, there were more than 4,000 units proposed. Many of the proposed projects are struggling to obtain financing in the current lending environment even though market fundamentals look favorable through 2012.

The average quoted rental rate is \$900, with one-bedroom rents averaging \$803 per month, two-bedroom units averaging \$905 per month, and three-bedroom units reporting an average rental rate of \$1,080 per month. Average rental rates from existing inventory increased by \$15.48 in the last twelve months, while this is a modest increase over last year, it does indicate an improving market in terms of rent growth. Approximately 20% of rental communities are offering some type of rental concessions, but in terms of the market as a whole, the concessions are only moderate with overall rents rising.



Submarket Percentages



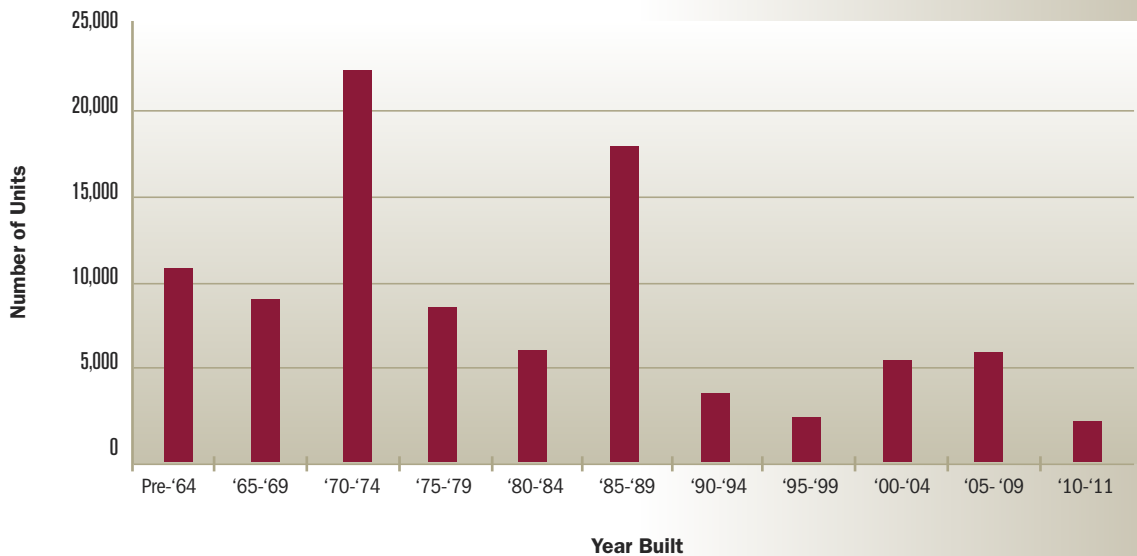


HISTORICAL APARTMENT DEVELOPMENT

Virginia Beach-Norfolk-Newport News

Development of apartment units in this market peaked during two time periods, the early 1970s and the late 1980s. Although current development activity is being slowed by tighter lending restrictions, there are more than 5,000 units in some level of planning, many of which are waiting to secure financing.

TABLE I Historical Apartment Development



HISTORICAL APARTMENT DEVELOPMENT

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 total housing permits issued annually (single and multi-family combined). With the slowdown in the overall housing market, residential permits issued fell to 5,223 in 2009 which is less than half of the activity at the peak of the market in 2005. Based on single and multifamily permits issued year to date, the slowdown in new housing starts is expected to continue with less than 4,000 units permitted in 2010.

Multi-family permit activity, which includes rental and for-sale units, was strongest in 2005. However, much of the permit activity up until 2009 had 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. It is expected that 2010 will record the lowest permit activity since 2000, although most of the permits in the last year are for rentals versus the for-sale market.

TABLE II Annual Multi-Family Permit Activity

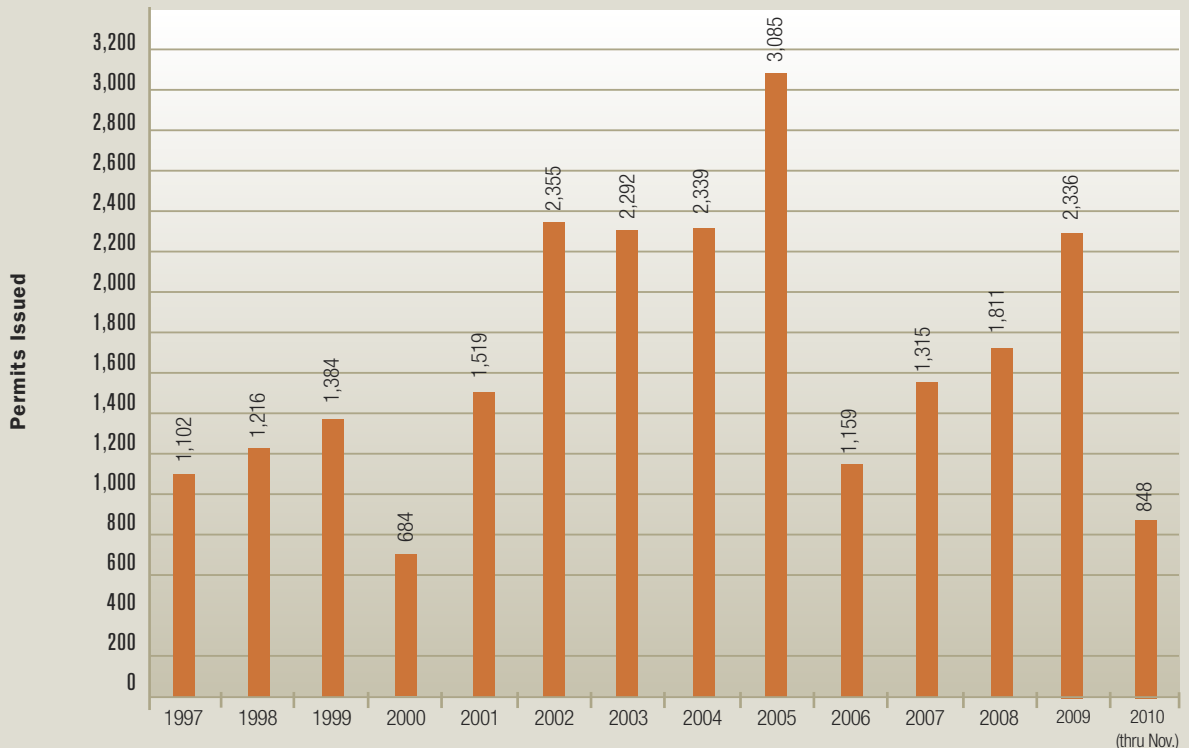
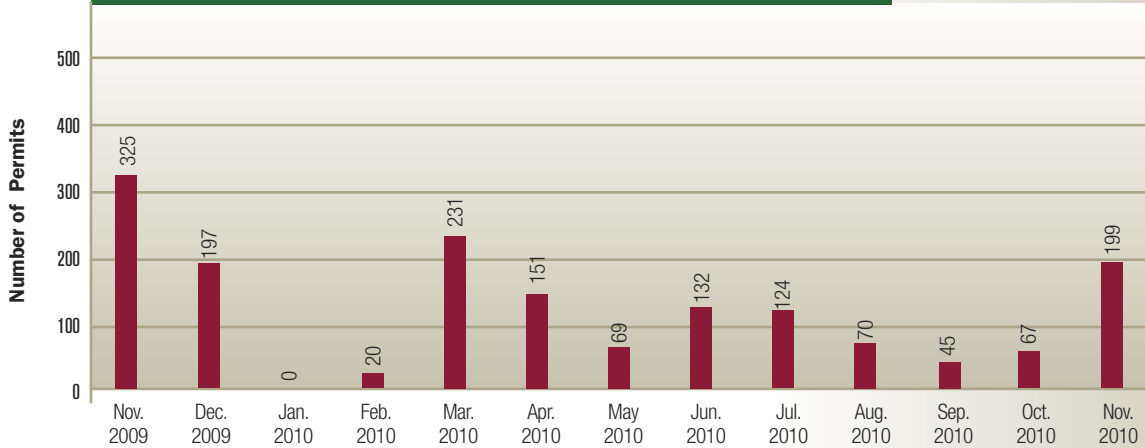


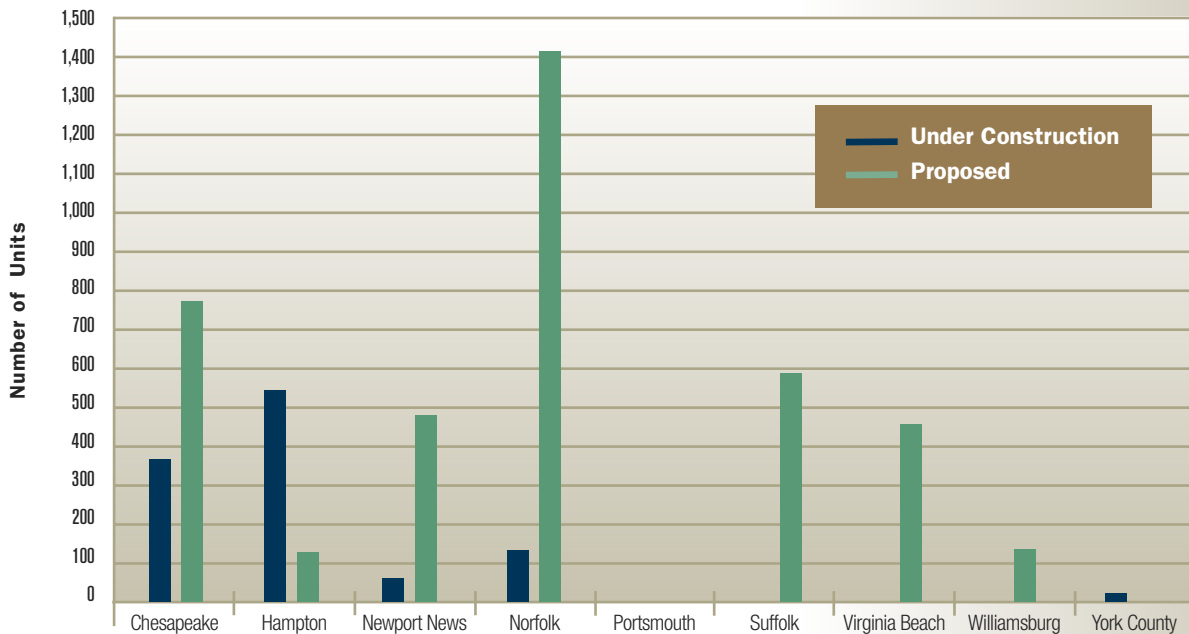
TABLE III Multi-Family Permits Issued - Past Year



APARTMENT DEVELOPMENT ACTIVITY

As of October 2010, there were only 1,106 apartment units under construction within eight communities in the Virginia Beach-Norfolk-Newport News market. There are an additional 4,100 apartment units proposed to start construction within the next year. Norfolk, Chesapeake, and Hampton are the most active areas for new apartment development with 11 communities either underway or in planning.

TABLE IV Apartment Development Activity (October 2010)



ABSORPTION

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 historical performance, the Virginia Beach-Norfolk-Newport News area is expected to absorb between 600 and 900 units annually. The collapse of the housing markets nationwide and the weakening economy caused a significant drop in demand for all types of housing in 2008. The area experienced a surge in demand for rental units in 2009 and 2010. This was due in part to the difficulties in the for-sale housing market.

TABLE V Absorption

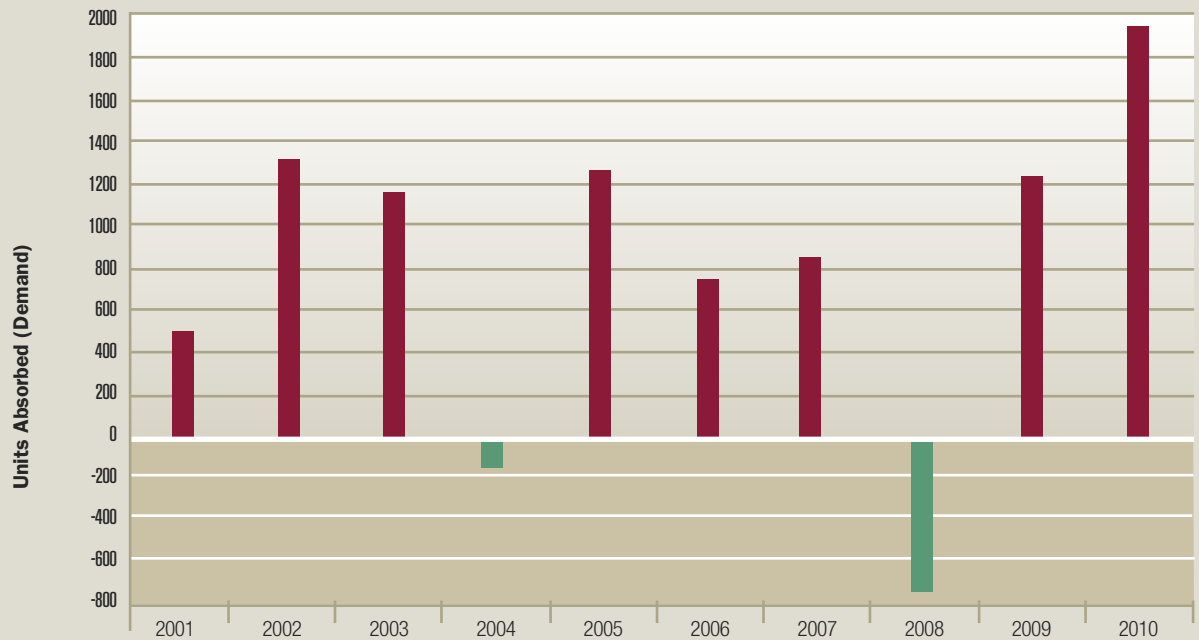
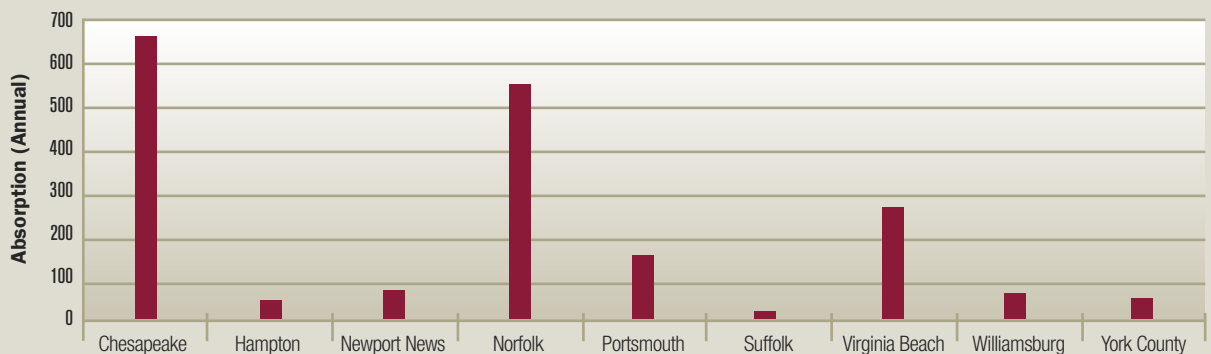


TABLE VI Submarket Absorption 2010

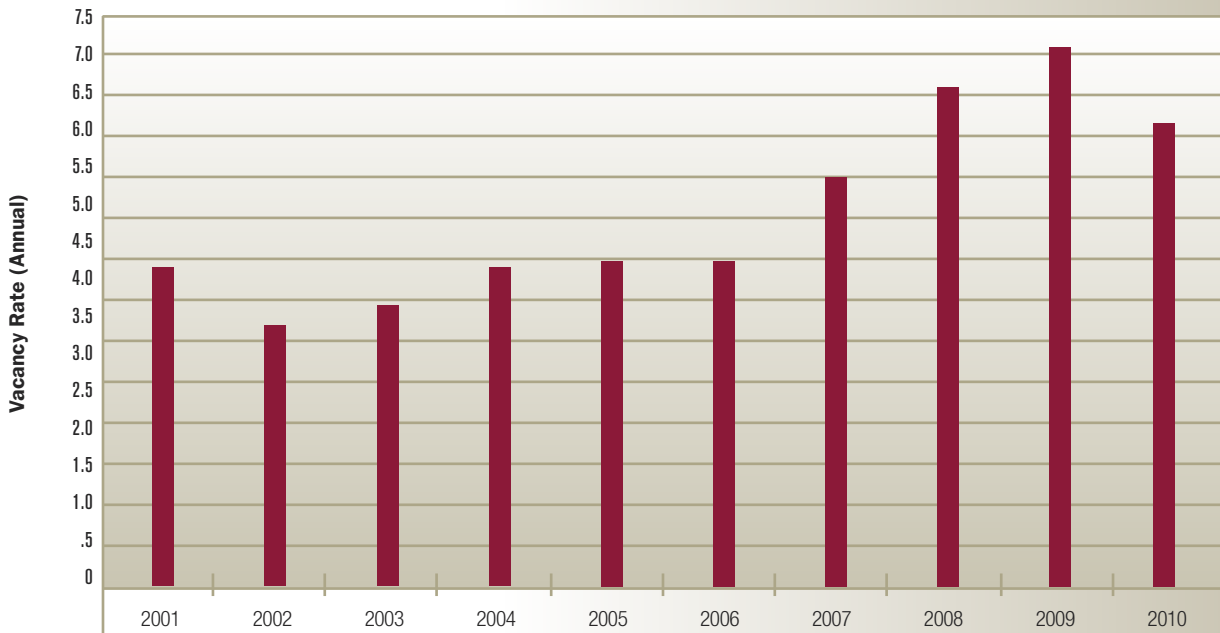




VACANCY

The overall vacancy rate for the Virginia Beach-Norfolk-Newport News market as of October 2010 was 5.7%, its lowest level since 2007. Vacancy rates are expected to remain in the 5-6% range in 2011.

TABLE VII Overall Vacancy





WILLIAMSBURG

YORK COUNTY

JAMES CITY COUNTY

POQUOSON

HAMPTON

NEWPORT NEWS

ISLE OF WHITE COUNTY

NORFOLK

PORTSMOUTH

VIRGINIA BEACH

SUFFOLK

VIRGINIA

CHESAPEAKE

NORTH CAROLINA

Chesapeake Bay

Multi-Family Submarkets

Southside

Chesapeake

Norfolk

Portsmouth

Suffolk

Virginia Beach

Williamsburg

Peninsula

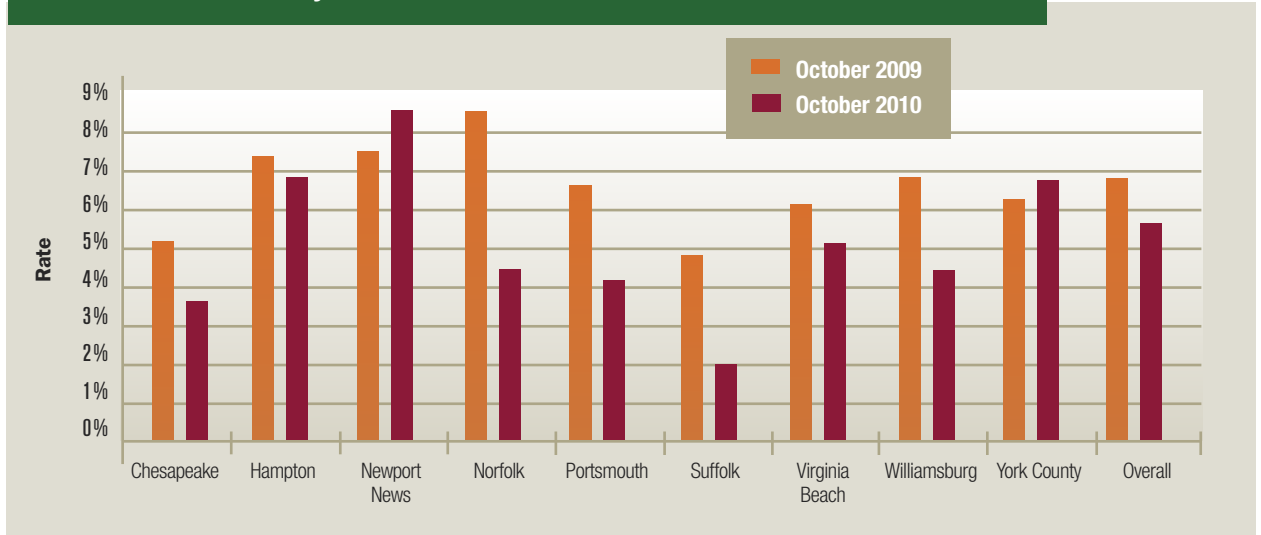
Hampton

Newport News

York County

Most submarkets saw an improvement in vacancy rates over the past year. Chesapeake, Norfolk, Portsmouth, Williamsburg, and Suffolk experienced the greatest improvement in vacancy rates. Newport News saw its vacancy rates rise due to weakened demand in the last year as a number of new communities came on-line.

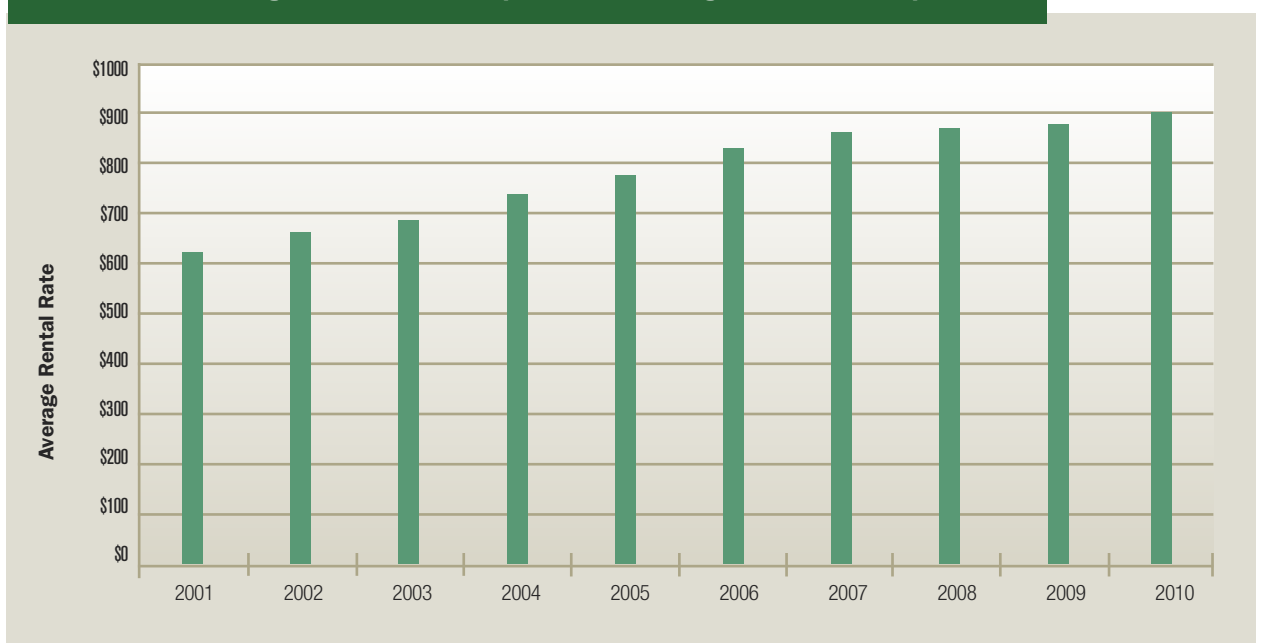
TABLE VIII Vacancy



RENTAL RATES

As of October 2010, the average rental rate in Virginia Beach-Norfolk-Newport News was \$900.

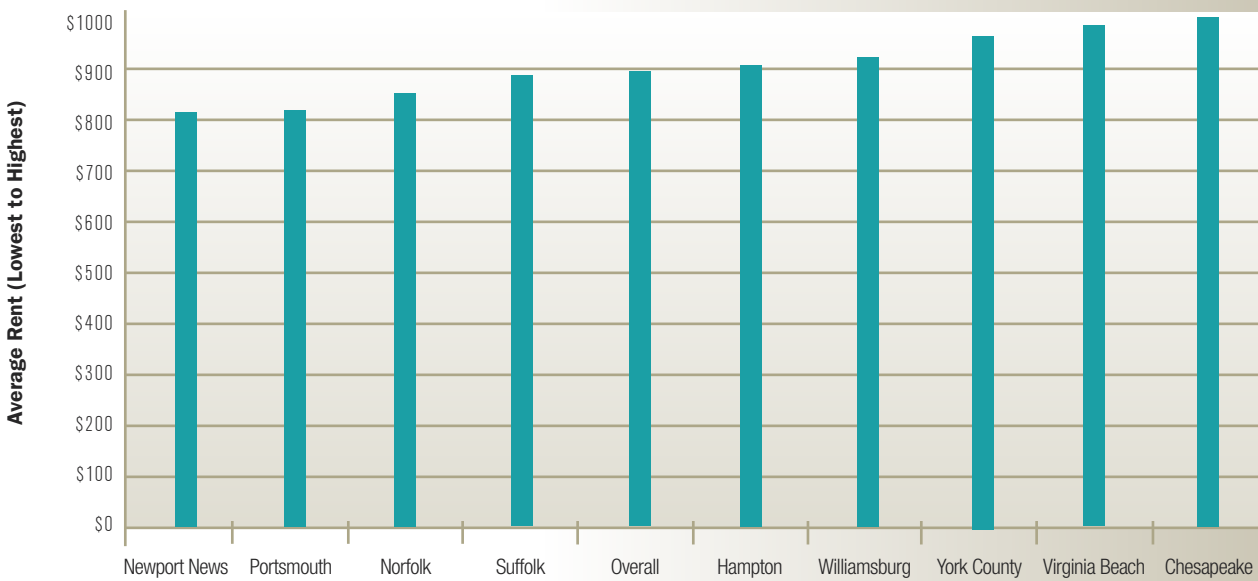
TABLE IX Average Rental Rates (New & Existing Communities)



AVERAGE RENTS

Average overall rents ranged from a low of \$806 in Newport News to a high of \$997 in Chesapeake. Newport News, Portsmouth, Norfolk and Suffolk all reported rents lower than the average rent of \$900 per month, while Hampton, Williamsburg, York County, Virginia Beach and Chesapeake all reported rents higher than the average overall rent.

TABLE X Average Rent by Submarket – October 2010



MANAGEMENT

There were over 470 conventional apartment communities with more than 50 units surveyed in the Hampton Roads region in October. Of the 92,000 apartment units surveyed, the top five firms manage nearly one-third of these units.

TABLE XI Top 10 Management Companies



REGIONAL TRENDS

Roanoke

Roanoke has fewer than 10,000 conventional apartment units among communities of at least 30 units. Roanoke's apartment market coped better than most markets during the past recession. This was due in large part to the fact that there has been minimal new apartment development in Roanoke over the past several years which has kept the rental supply at a manageable level. Occupancy rates in 2010 were 93.5% with rent growth of just under 2% for the year.

Richmond

Richmond has over 60,000 conventional apartment units within communities of at least 50 units. The area's apartments hit bottom in the fourth quarter of 2009 and first quarter of 2010 when occupancies fell to 90% and rents declined by 3.5% for the year. Since that time Richmond has seen a strong resurgence in rental demand and occupancies reached nearly 93% by August of 2010. Rents also showed strong growth in latter half of 2010 with rents now averaging \$823.



INVESTMENT

2011
HAMPTON ROADS
REAL ESTATE
MARKET REVIEW

Author

J. Scott Adams, CCIM
Regional President, CB Richard Ellis/Hampton Roads

Financial Support

The E. V. Williams Center for Real Estate and Economic Development (CREED) functions and reports are funded by donations from individuals, organizations and the CREED Council.

Disclosure

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General Overview

The sun is back out again for commercial real estate investment.

On nearly every possible metric, commercial real estate showed signs of stabilizing in 2010 with even more optimism for an improved 2011 as well. There is particular optimism within capital markets as national U.S. sales transactions for office, industrial, retail, and multifamily assets doubled in 2010, and many experts believe that volume could more than double again in 2011.

The health of the commercial real estate industry begins with the health of the overall U.S. economy. By all accounts, the recession has ended and a more protracted expansion phase has begun. The painful reductions in employment have begun to turn around, particularly in the higher growth industries of technology, education, and health care. Many economists expect job growth to accelerate in 2011 as corporate America has been reporting strong profitability and productivity gains that allow more room to make increased “people investments”. As businesses increase hiring, the commercial real estate markets should show continued positive absorption of space.

During 2010 the office and multi-family property types showed particular evidence of recovery. Both of these property types ended 2010 with positive absorption and vacancy factors well below the previous cyclical peak vacancies of the early 1990s. Within the office sector, CB Richard Ellis reported 11 million square feet of positive absorption in 2010, led particularly by the Eastern region of the country.

The retail and industrial property types showed signs of stabilization in 2010 with even stronger signs of recovery expected in 2011. The industrial and retail markets remained at the highest vacancy rate in the last 20 years at year-end 2010, but the return of bank credit for small businesses, consumer spending, and rising trade volumes all point to better days ahead.

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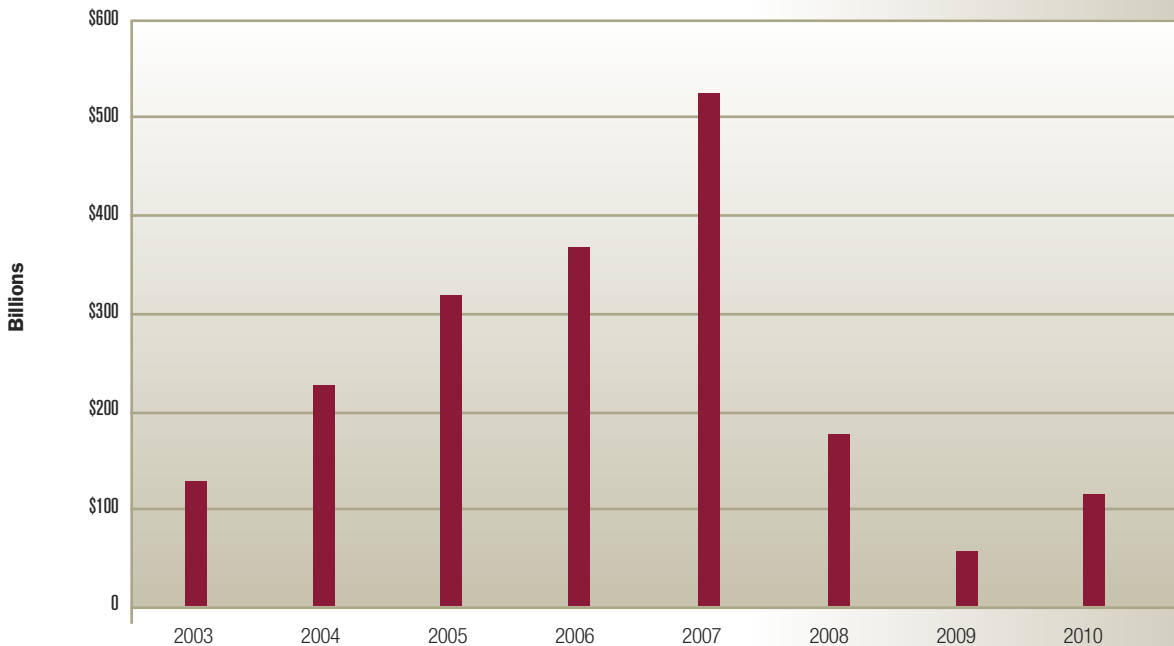
While the market resurgence is clearly underway, there remains a sense of “survival of the fittest” throughout the entire industry. Investors and lenders remain cautious about what to move forward on, although the market optimism to some degree benefits all assets in all markets.



INVESTMENT SALES ACTIVITY WITH DRAMATIC GROWTH DURING 2010

While we are coming up from a relatively low base compared to the investment sales peak period of 2005 to 2007, it remains encouraging that sales volume doubled from 2009 to 2010, as reported by Real Capital Analytics (“RCA”) in the below chart. For purposes of this metric, RCA tracks sales of \$5 million or more for assets in the office, industrial, retail, and multifamily properties. In fact, December’s volume of over \$21 billion was the highest monthly amount recorded since the end of 2007.

Annual Investment Sales Volume



Source: © Real Capital Analytics, Inc. 2011

Among the many factors that can be attributed to the rise in real estate sales volume, a key factor is the fundamental faith in the economic recovery that allows underwriting of tenant creditworthiness and more accurate prediction of investment returns. Investors remain challenged to find higher yields in alternative investment types, and the low cost of debt allows positive leverage to accentuate real estate investment returns.

In terms of favored asset types, not much has changed since 2009. There continues to be strong demand for apartments as favorable government-sponsored financing remains available while rental demand is buoyed by the home ownership struggles that unfortunately continue for millions of Americans. Investors also continue to favor well-located grocery anchored retail centers, premier office buildings, medical office properties, and long-term single-tenant leased assets.

Within these property types, investment volumes have been particularly heavy for premium assets in primary markets. Given investors' preference to obtain higher yields with the lowest risk possible, the push toward "top-shelf" assets is backed by a belief that these assets hold value better in downturns and appreciate more in strong economies.

Investment volumes are also rising because more buyers realize that they should not expect huge price discounts on all assets available for sale. NCREIF, a national investment industry organization, reports that overall commercial real estate prices have already risen 30% from their trough, and as much as 50% for the premier properties in premier markets.

VOLUME OF DISTRESSED ASSETS HAS STABILIZED

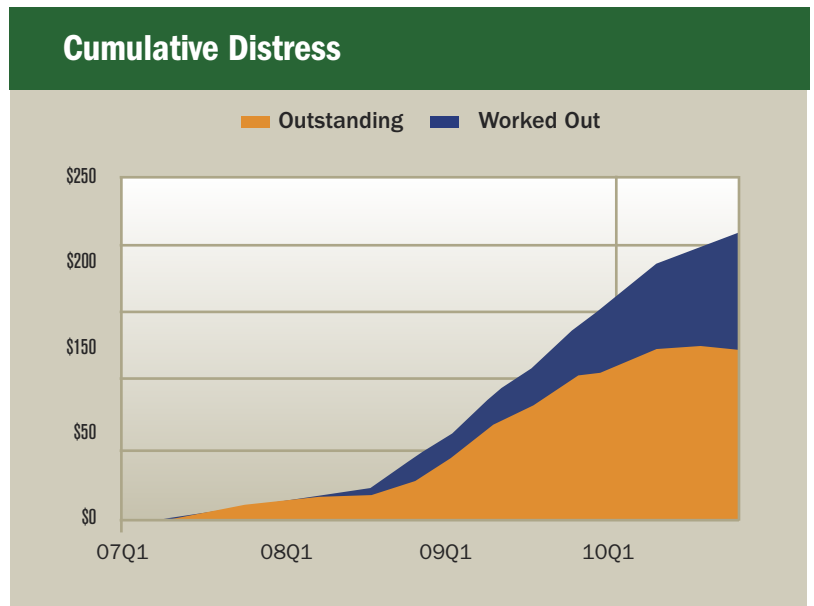
A significant area of concern for the commercial real estate investment market has been the dramatic rise in distressed assets that occurred during 2008 and 2009. An encouraging sign for the real estate investment markets in 2010 was the clear stabilization of outstanding distress properties, along with increased volume of worked-out loans that are no longer considered in distress. The chart below prepared again by Real Capital Analytics shows that a rising percentage of the overall tracked distress properties has been worked out either through asset sale, loan restructuring, or loan extension.

It is also interesting to note that the rise in 2010 investment volume has a strong correlation to the rise in worked out loans in 2010. In fact, RCA reports that over 22% of the total sales volume was of distressed assets. Numerous well-capitalized investors remain positioned to take advantage of the buying opportunities from distress, but for the most part they have been very disappointed by the limited availability of high-quality investment product through that medium.

Rather than a large tidal wave of opportunities in the short term, it appears that the overall maturity wave of loans will more likely lead to lower volumes of sales opportunities over each of the next five years.

The reason for that longer time frame is that Foresight Analytics estimates that \$1.4 trillion of commercial real estate debt will come due between 2011 and 2014. Much of the debt coming due in 2012 and 2013, in particular, had a five year loan term on assets that were acquired at peak market pricing during 2007 and 2008. A large number of these associated assets have current values below the current loan balance and remain at risk to become distressed as the loan maturity dates get closer.

What is unknown is how the debt industry will change its patterns of dealing with borrowers in the years ahead. To date, many lenders have preferred to extend and amend loans to buy time for market recovery rather than moving forward to take title to the properties. Many experts expect lenders to be less willing to continue to do so if the individual property fundamentals and the borrower cannot show sufficient additional equity to bring to the table. The overlying market recovery should also make a big positive impact on the probability of a successful workout in each of these cases.



POSITIVE SIGNS IN THE COMMERCIAL REAL ESTATE LENDING MARKET

The Mortgage Bankers Association (“MBA”) recently reported that the commercial real estate lending spiked in the fourth quarter of 2010 with the highest quarter over quarter increase in lending volume since mid-2007. Within that total volume, the MBA noted that the insurance industry originated more loans in the fourth quarter than any time since 2005. The year’s overall reported volume of over \$110 billion was a 36% increase over 2009.

While the MBA also reported that bank lending remained generally flat during the fourth quarter, most industry experts expect bank lending to show robust growth in 2011 as banks show improved profitability and seek to generate even higher earnings with their excess reserves and low cost of funds. The FDIC reports that year-over-year earnings improved for the fifth consecutive quarter in the third quarter of 2010.

As with the overall investment sales market, to date lenders have largely preferred to focus on lower leverage loans from well capitalized and experienced investors on premium properties in premium locations. As lenders have more confidence in overall real estate markets, lending volume for other non-premium assets (i.e. Class B properties or secondary market areas) should rise, particularly with more assets expected to be offered for sale in 2011.

Another encouraging sign in the lending market is the re-emergence of conduit lenders which adds to the market liquidity. Numerous well-known institutions including JP Morgan and Citigroup are rolling out conduit offerings (also referred to as Commercial Mortgage Backed Securities, or CMBS) with attractive loan terms including lower pricing, higher loan-to-value, and non-recourse terms. CMBS volume grew somewhat in 2010, but still 75% below the peak annual level in 2007.

As all areas of lending sources show signs of improvement, the competition among lenders for the better offerings available is expected to lead to less stringent borrower terms. And of course, less stringent borrower terms are expected to add further momentum to the increase in sale prices as buyers have more favorable access to capital.

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Investment Sales Activity in Hampton Roads Area in 2010

Over \$151 million of office, industrial, retail, and multifamily assets sold in 2010 transactions of \$5 million or more. The eight qualifying transactions are detailed below:

Property Name	Property Type	Purchase Price	Size	\$/Size	Purchaser	Seller
Prime Outlets Williamsburg	Retail	\$78,424,068	274,000 SF	\$286.22/SF	Simon Property Group	Prime Outlets
Alta Great Bridge	Multi-Family	\$26,675,000	192 Units	\$138,932/Unit	Bell Partners	Wood Partners
Harbour View Medical Arts Building	Office	\$12,550,000	48,517 SF	\$258.67/SF	Health Care REIT	Lingerfelt Investments
Southport Center	Office	\$8,300,000	61,594 SF	\$134.75/SF	College Properties, LLC	Guardian Realty
Battlefield Corporate Center	Office	\$8,000,000	96,720 SF	\$82.71/SF	First Potomac Realty Trust	Mackenzie Fibres International
Cape Henry Plaza	Retail	\$6,400,000	58,424 SF	\$109.54/SF	Suburban Asset Management	Phillips Edison & Company
201 Dexter Street	Industrial	\$6,000,000	445,000 SF	\$13.48/SF	201 Dexter, LLC	Chesapeake Hardwood Products
Battlefield Woods Apartments	Multi-Family	<u>\$5,047,500</u>	102 Units	\$49,485/Unit	Lawson Realty Corporation	Continental Realty Services
	TOTAL	\$151,396,568				

The largest sale of the year was a retail complex in Williamsburg that was part of a national portfolio of outlet centers. The Prime Outlets was one of twenty-one outlet store properties in a \$2.3 billion transaction by Simon Property Group, a leading national retail owner.

Each of the other seven sales was a “one-off” sale, three of which were two national buyers showing confidence in the Hampton Roads area. Two of the national buyers were public Real Estate Investment Trusts which purchased individual office buildings in the area. Another two of the sales were multi-family transactions, one of which was to a major national buyer based in North Carolina. A local investor purchased the one other qualifying retail asset, a well-located grocery-anchored center in Virginia Beach.

It is also of note that two of the qualifying sales were owner-occupant transactions. Both Southport Center and 201 West Dexter (the one qualifying industrial sale) were purchased by investors that intended to occupy a large portion of the building for its own use. Debt financing remains readily available for these types of transactions, and recent changes to financial accounting regulations may point to even more investment sales to space users in the future.

We expect that Hampton Roads’ continued economic stability should attract many national buyers in the months and years ahead as investors move beyond focusing exclusively on the top tier markets. Hampton Roads received national endorsement from the Brookings Institution as one of only five areas in the country that had positive job growth all four quarters of 2010.

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CONTACT US

999 Waterside Drive, Suite 2210
Norfolk, VA 23510 | 757.625.8181

Victor Pickett vpickett@gbrecap.com
Donald Esinhart desinhart@gbrecap.com
Gary Beck gbeck@gbrecap.com
gbrecap.com/connect



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Kurt Taves, Partner
ktaves@cbh.com

Mike Howlett, Partner
mhowlett@cbh.com

757.456.2400

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