

2005 MARKET SURVEY



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Data for Old Dominion
University Center for Real Estate
and Economic Development
Market Survey was collected in
the fourth quarter - 2004

ASSOCIATE PUBLISHER

William Sandy Smith
Inside Business
757.222.5342

GRAPHIC DESIGN

Pico Design & Illustration
www.picodesign.net
757.493.0370

ADVERTISING SALES

Tricia Bernstein
Tage Counts
Craig Young

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MESSAGE FROM THE DIRECTOR

Welcome and thanks for joining us for the 2005 Old Dominion University Center for Real Estate and Economic Development (CREED) Real Estate Market Review and Forecast.

For the last ten years, CREED has annually published statistical summaries of prevailing real estate conditions and trends in Hampton Roads. Our report continues to evolve. This year, we have added an Investment Market Review of Commercial Properties authored by Jonathon Guion. If you have ideas for improving upon future reports of the market review please let us know.

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 U.S., comprised of 16 cities and counties in Southeastern Virginia and Northeastern North Carolina, and is the largest consumer market between Washington DC and Atlanta.

According to John Whaley, Deputy Executive Director for Economics at the Hampton Roads Planning Commission, our region's economy continued to grow in 2004 although evidence is building that a modest slowdown is in progress. This slower rate of local growth closely mirrors similar trends in both the state and national economies. For 2005, our economy is expected to continue to expand, although the pace of the expansion is likely to be slightly less than the rate experienced in 2004. The bottom line is that our economy continues to expand, which is good news for jobs and good news for the real estate industry.

CREED'S advisory board membership is expanding. We welcome the following appointments to our Executive Committee: Craig Cope as our new Membership Chair, Brad Sanford as our new Curriculum Co-Chair and Cliff Moore as our new Sponsorship Chair. We would also like to acknowledge and welcome our new Advisory Board members: Jim Bradshaw, Aubrey Layne, Dale Mueller, and Leo Sutton.

As a reminder, please visit our Center's website at www.odu.edu/creed for the latest information on our region and CREED's activities, members and research. We have a new student services section where you can find students who are interested in internships and job opportunities.

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

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

Your continued support is truly appreciated.

John R. Lombard, Ph.D.

Assistant Professor, Department of Urban Studies and Public Administration

Director, Center for Real Estate and Economic Development

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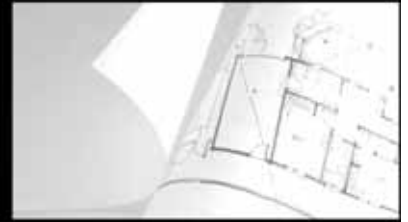
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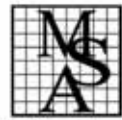
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Waitzer Properties
William E. Wood & Associates

HAMPTON ROADS 2005

RETAIL

MARKET SURVEY

Acknowledgements

Authors:

Christopher C. Read CB Richard Ellis of Virginia, Inc.	R. Troy Parker S.L. Nusbaum Realty Co.
Susan P. Pender NAI Harvey Lindsay	Mark Pendleton The Breedon Company
David Machupa Thalhimer Commercial Real Estate	Anne Millar Wright Divaris Real Estate

Data Analysis/Layout:

Jamie Midgett
Fran Sherman
NAI Harvey Lindsay

Financial Support: The Old Dominion University Center for Real Estate and Economic Development (CREED) reports are funded by donations from individuals, organizations and the CREED Advisory Board.

Disclosure: The data used for this report was provided by agents and owners of the surveyed properties. Approximately five percent of the rent and/or vacancy information was estimated. The data is deemed reliable; however, neither Old Dominion University Center for Real Estate and Economic Development, nor CB Richard Ellis of Virginia, Inc. make any representation or warranty as to its accuracy.

GENERAL OVERVIEW

This report analyzes the 2004 retail real estate conditions within the Virginia Beach–Norfolk–Newport News, VA-NC 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 include a comparison of the Southside and Peninsula areas of Hampton Roads with statistical data 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 at least 30,000 square feet in size. Information on retail-oriented freestanding buildings that were at least 23,000 square feet was also collected. 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 collections 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 2004 and December 2004. A questionnaire was mailed to owners, leasing agents and property managers responsible for retail properties meeting the selection criteria. Direct phone contact was utilized as a follow-up to the mailing to encourage participation. The return rate for mailed questionnaires was approximately 95%. The data for the remaining 5% of identified retail properties was estimated. 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.

Asking Rates: The marketing 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 product types 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 also be considered.

Big boxes: Big boxes were defined as 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.

C.A.M.: Common Area Maintenance

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

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

Regional Mall Node: Submarket anchored by regional mall.

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

Submarkets: Hampton Roads was divided into thirty-four retail submarkets (twenty-four Southside submarkets and ten Peninsula submarkets) which reflected general concentrations, pockets or corridors of retail product type. Geographical boundaries of the retail submarkets were influenced by density of existing retail product, physical or geographical obstacles, existing transportation networks, municipality boundaries, population concentrations and retailers' perceptions of the MSA. Final determination of specific boundaries of each submarket was made by a subcommittee comprised of regionally active retail real estate professionals. 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

The Hampton Roads market continued to experience strong retail real estate activity throughout the year. Vacancies created by the bankruptcy of large national chains during previous years continued to be absorbed by new retailers entering the Hampton Roads market. Overall vacancy appears to be stabilizing and many properties with large vacancies have been demolished or converted to alternative uses. Although transaction activity was very brisk, many retailers had a difficult time finding desirable locations.

Several large retail development projects are currently under construction in Hampton Roads. Jefferson Commons in the Patrick Henry sub-market of Newport News is being developed by The Goodman Company and will be anchored by Kohl's, Ross Dress for Less, AC Moore, TJ Maxx, Shoe Carnival, Bassett Furniture, Petco and MovieStop. Restaurant tenants include Silver Diner, Smokey Bones, Chili's and Panera. The second phase of Victory Crossing has opened in Portsmouth and includes the following new tenants: Dots, Simply Fashions, Payless, Sports Zone, Denim Exchange, UPS Store and Jackson Hewitt. Windsor Meade Marketplace in Williamsburg is also under construction at Monticello Avenue and Route 199. Anchors include Belk, PetsMart, Office Depot, Bed Bath and Beyond and Pier One.

The Virginia Beach Town Center, a mixed use project which is being developed by Armada/Hoffler, continues to progress with construction well underway of a new 341 unit apartment building called The Cosmopolitan. In 2004, Cheesecake Factory opened as well as Red Star Tavern, Bravo, Keagan's Irish Pub and Ann Taylor Loft. Ruth's Chris will open in the development during 2005. The City of Virginia Beach has committed \$47 million to a 1,200 seat performing arts auditorium at the site. Armada/Hoffler also announced it would construct a 30-story tower in the project to house a Westin Hotel and over 100 upscale condominiums. Max and Erma's and Romano's Macaroni Grill recently opened across the street from the Town Center at Pembroke Mall.

The largest retail real estate transaction during 2004 was the sale of Greenbrier Mall to CBL & Associates for over \$100 million. The transaction follows last year's sale of Lynnhaven Mall to General Growth Properties for over \$256 million. Later in the year, PREIT, the owner of Patrick Henry Mall in Newport News, announced that Dick's Sporting Goods would occupy 50,000 square feet at the property and Dillard's would consolidate into a 142,000 square foot location.

Grocery store expansion in Hampton Roads increased over what has been seen in the market during the last several years. Farm Fresh is expected to open units in Downtown Norfolk, Great Bridge at Mount Pleasant Road, South Norfolk, and Suffolk at Shoulder's Hill Road. Recently, Farm Fresh announced the acquisition of Winn Dixie stores in Williamsburg and Yorktown. Winn Dixie exited the Virginia market in 2004, resulting in store closures in Hampton, Norfolk and Williamsburg. Harris Teeter has announced locations in Virginia Beach at Nimmo Parkway and Princess Anne Road and Chesapeake at the Hanbury Road interchange of the Great Bridge Bypass. Ukrop's announced a new 52,000 square foot unit in Williamsburg. Food Lion opened new units in Eagle Harbor in Smithfield and Hampton Woods in Hampton. According to Food World magazine, Food Lion continued to be the region's grocery chain leader with a 24.89% market share. Farm Fresh remained in second position with a 17.76% market share. Wal-mart was reported to be in third position with a 9.86% market share. Previously the ODU Retail Survey reported the market share of only traditional grocery stores. The market share percentages compiled by Food World and reported herein examines the total grocery market which outlines the market share of grocery stores, warehouse clubs, commissaries and convenience stores.

Big box retailers remain active in the region, including Target, Best Buy, Dick's, Ross, and TJX. Home Depot opened new units in Williamsburg and in Southern Virginia Beach adjacent to Red Mill Commons and a new store was announced for the Midtown section of Portsmouth. Consolidated Theaters announced a 40,000 square foot multiplex in Williamsburg's New Town development.

Infill of second generation and third generation boxes continued throughout the MSA. Ross Dress for Less signed a lease at The Galleria at Military Circle; Best Buy signed a lease in a portion of a former Wal-Mart in the Chesapeake Square sub-market of Chesapeake; Barnes & Noble occupied a portion of a former Montgomery Ward at Lynnhaven Mall; Taylor's Do it Center opened in a former Food Lion location in Poquoson; Big Lots opened in a former Farm Fresh location in Middle Portsmouth; Gold's Gym purchased a former Farm Fresh location in the Ghent section of Norfolk; Dollar Tree leased space that became available as a result of Michael's relocation at Chesapeake Square; Unfinished Furniture Mart occupied a portion of a former Upton's box at Fairfield Shopping Center in Virginia Beach; and Steve and Barry's University Sportswear opened a new unit in Lynnhaven Mall.

Other new retailers that entered the market included: The Cheesecake Factory, Romano's Macaroni Grill, Bravo!, The Funny Bone Comedy Club, and Red Star Tavern.

HAMPTON ROADS MARKET SUMMARY

Hampton Roads retail market performed strongly in 2004. The Hampton Roads market contains approximately 45,984,173 square feet of gross leasable area ("GLA") in 368 properties. This year, five properties consisting of approximately 590,000 square feet were removed from the retail inventory, thereby slightly decreasing overall retail supply prior to taking into account new construction. While this fact may not appear positive in nature, two of the properties, Mid City Shopping Center in Portsmouth and Mercury Plaza in Hampton, which account for approximately 460,000 square feet of the 590,000 square foot reduction, have been demolished and are currently undergoing redevelopment as retail projects and will be re-inserted into the survey upon completion. The other properties are the former Frank's Nursery in Norfolk that was redeveloped into a car dealership, the former Best Products site in Hampton, which was purchased by the city and has become a part of the Coliseum Convention Center development, and Beechmont Shopping Center in Newport News, which was redeveloped for WAWA. Furthermore, Hampton Roads saw an additional 456,610 square feet of new construction added to this year's report with an overall decrease in vacancy on both the Southside and Peninsula.

Survey information was obtained on 30,184,000 square feet of retail property located in Southside Hampton Roads, accounting for approximately 66% of the total square footage in the market. The average asking rent for small shop space on the Southside was \$13.88 per square foot, triple net that was \$0.42 higher than the calendar year 2003 average. The reported size of the Peninsula was 15,800,000 with an average small shop rent of \$13.36 per square foot, triple net. This too, was an increase over calendar year 2003 average rate of \$13.18.

In order for new retail construction to be included in this year's report, it must be substantially completed by year-end 2004. Having stated that, Hampton Roads welcomed 456,000 square feet of retail to the market. Concerning absorption, the MSA absorbed approximately 426,000 square feet of retail space during the year.

For the first time since 1999, retail vacancy for the Hampton Roads Market is in the single digits. Overall vacancy dropped 1.78% to 9.41 %. The Southside vacancy rate of 8.87% is the lowest rate observed in the history of this survey. The Peninsula rate of 10.44% reflects a 2.16% reduction from the 2003 survey.

The outlook for 2005 looks positive as well. Numerous projects are in various stages of development. Both Harris Teeter and Farm Fresh are anchoring new shopping centers, while continuing to look for additional opportunities. The Goodman Company is under construction on a 400,000 square foot power center in Newport News, Wal-Mart has closed on a property and will anchor a new power center off of Dominion Boulevard in Chesapeake, Home Depot has announced their intentions to open a store on Frederick Boulevard in Portsmouth, and the Virginia Beach Town Center will have additional retailers opening this year. This is just a sample of the activity currently taking place in Hampton Roads.

MARKET OVERVIEW							
	Number of Properties	GLA in SF	Vacant SF	% Vacant	New Construction in SF	Occupied in SF	Absorption in SF
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	84,320
Total	368	45,984,173	4,324,915	9.41%	456,610	41,659,258	426,056
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

* 302,000 SF of unoccupied space was removed from the inventory during 2002 as a result of demolition or reletting to alternative use.

RETAIL SUBMARKETS

SOUTHSIDE SUBMARKETS

There were 24 retail submarkets on the Southside with an average size of 1,251,661 square feet. The largest Southside submarkets were Greenbrier and Military Highway, each with over 3 million square feet of retail space and each anchored by a regional mall. The Southside has six regional mall nodes totaling 14,900,000 square feet.

Vacancy rates in the Southside's submarkets ranged from 0.39% in Great Bridge to 24.35% in the Newtown Road submarket. A trend seen in most Southside submarkets was a decrease in vacancy accompanied by an increase in asking small shop rates. New construction in Southside submarkets totaled only 86,800 square feet this year as compared to 420,000 last year.

SOUTHSIDE BY SUBMARKET

	Number of Properties	GLA in SF	Vacant SF	% Vacant	Average Small Shop Rate PSF
Greenbrier/Battlefield Boulevard*	20	3,636,514	266,029	7.32%	\$16.15
Military Highway/Janaf	16	3,433,081	371,942	10.83%	\$12.85
Pembroke	21	2,456,236	333,780	13.59%	\$13.89
Little Creek Road/Wards Corner	17	1,618,178	312,989	19.34%	\$11.96
Lynnhaven*	8	1,862,124	103,959	5.58%	\$16.70
Chesapeake Square*	9	2,132,720	221,460	10.38%	\$12.67
Hilltop/Great Neck	12	1,496,142	60,375	4.04%	\$18.64
Downtown Norfolk*	4	1,395,178	91,886	6.59%	\$12.50
Middle Portsmouth	13	1,240,036	205,942	16.61%	\$10.95
Little Neck	10	1,314,535	151,137	11.50%	\$13.64
Kempsville	11	1,222,988	54,828	4.48%	\$14.32
Holland/Green Run	10	1,087,442	27,013	2.48%	\$12.00
Princess Anne	10	824,509	36,659	4.45%	\$15.22
Churchland-Portsmouth/Harbourview	14	1,044,101	72,212	6.92%	\$13.42
Suffolk	10	978,578	56,865	5.81%	\$14.13
Dam Neck	6	1,134,322	9,700	0.86%	\$17.00
Great Bridge	12	885,691	3,489	0.39%	\$13.95
Newtown	11	552,681	134,570	24.35%	\$12.14
Indian River/College Park	4	482,309	31,437	6.52%	\$11.75
Ghent	9	421,052	83,576	19.85%	\$13.92
Bay Front	5	273,051	13,686	5.01%	\$14.75
Campostella	5	269,528	7,250	2.69%	\$11.10
Birdneck/Oceanfront	4	191,655	10,327	5.39%	\$11.50
Smithfield	2	231,744	15,030	6.49%	\$14.67
	243	30,184,395	2,676,141	8.87%	\$13.74

* Indicates regional mall node

PENINSULA SUBMARKETS

There were 10 retail submarkets on the Peninsula with an average size of 1,579,977 square feet. The two largest Peninsula submarkets were Patrick Henry and Coliseum Central, each was anchored by a regional mall and had a combined square footage of 6,967,503 square feet.

Vacancy rates ranged from 2.46% in Patrick Henry to 22.88% in Gloucester. On the Peninsula only 5,000 square feet of new construction came onto the market. Vacancy was down in several Peninsula submarkets and average asking rents were up in most submarkets.

PENINSULA BY SUBMARKET					
	Number of Properties	GLA in SF	Vacant SF	% Vacant	Average Small Shop Rate PSF
Patrick Henry*	27	3,668,068	90,340	2.46%	\$16.18
Coliseum Central*	15	3,299,435	473,848	14.36%	\$15.40
Williamsburg	25	2,770,044	69,773	2.52%	\$15.36
Denbigh	15	1,542,851	204,849	13.28%	\$12.00
Newmarket/Main	13	1,538,340	325,898	21.19%	\$9.15
Fox Hill / Buckroe	7	721,273	103,522	14.35%	\$12.40
York County	9	900,438	102,339	11.37%	\$10.97
Gloucester	9	1,072,255	245,320	22.88%	\$10.30
Poquoson	3	168,192	12,450	7.40%	\$13.83
Hampton Miscellaneous	2	118,882	20,435	17.19%	\$10.75
	125	15,799,778	1,648,774	10.44%	\$13.36

* Indicates regional mall node

RETAIL PRODUCT TYPE

The Neighborhood Center was the predominant product type with 146 properties totaling over 11 million square feet of leasable area or 24% of the total retail market. Community Centers comprised 22% of the available retail supply which equated to just under 10 million square feet. Market composition for the predominant product types is depicted in the following table. Vacancy rates ranged from 0% in Theme/Festival and Outlet Centers to 13.46% in Power Centers.

Neighborhood Center vacancy decreased to 9.83% (down from 10.7% in the 2004 report). This decrease can mainly be attributed to the leasing of several vacant grocery store boxes and a very strong small shop leasing market. Community Center vacancy decreased to 12.67% (down from 15.85% last year). Vacancy rates in every product type decreased from the previous year.

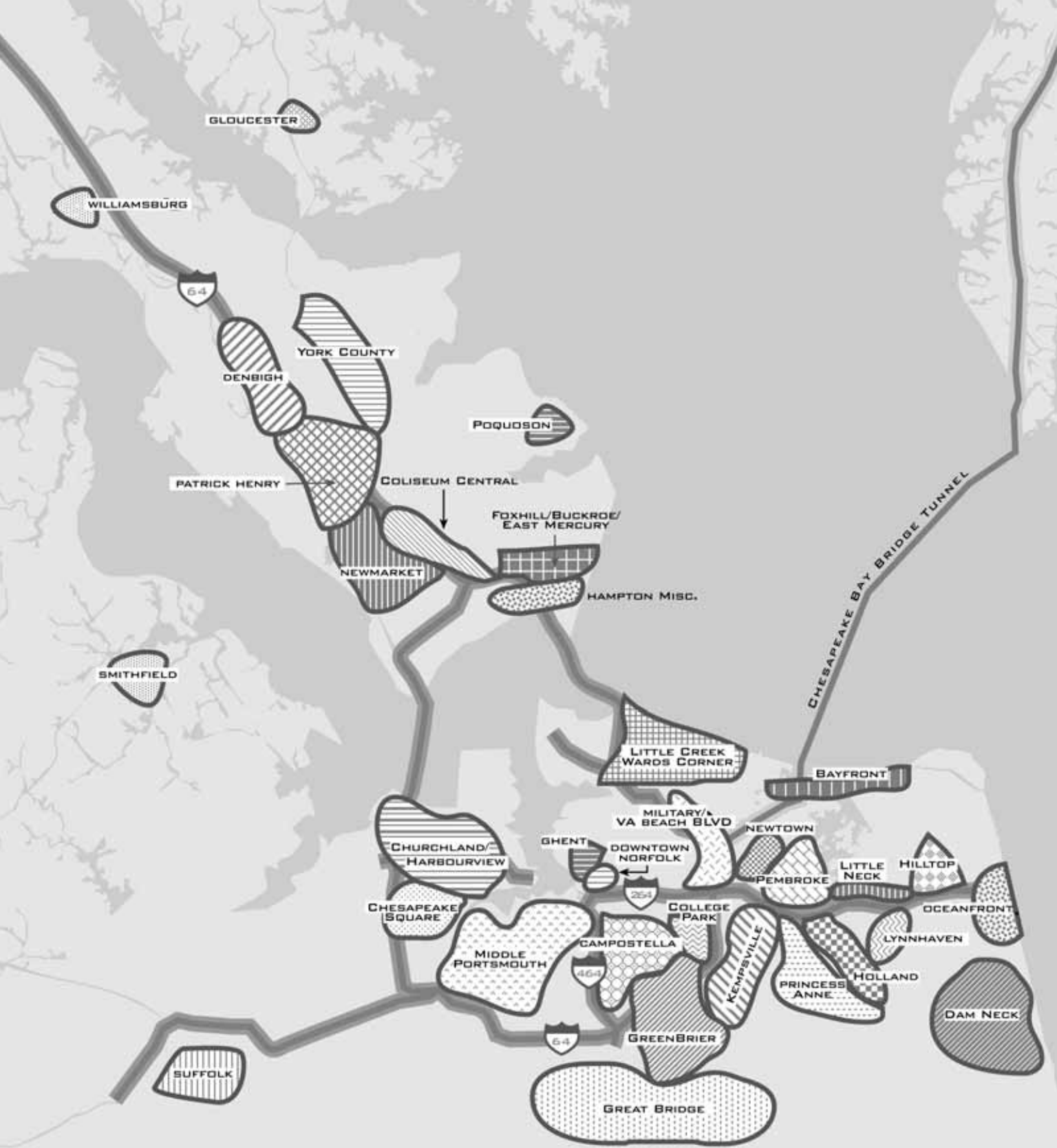
TOTAL RETAIL PRODUCT BY TYPE							
	Number of Properties	GLA in SF	New Construction in SF	Vacant SF	% Vacant	Average Small Shop Rate PSF	Average CAM PSF
Neighborhood Centers	146	11,061,450	80,800	1,087,382	9.83%	\$12.44	\$1.86
Community Centers	56	9,896,155	13,810	1,254,218	12.67%	\$13.69	\$1.92
Mall	10	7,368,293	5,000	488,169	6.63%	No Data	No Data
Power Centers	22	7,321,244	113,400	985,674	13.46%	\$17.39	\$2.62
Freestanding	72	7,180,472	260,000	354,689	4.94%	No Data	No Data
Other	54	2,115,740	0	132,552	6.27%	\$14.01	\$2.21
Fashion / Specialty	6	608,940	0	22,231	3.65%	No Data	No Data
Outlet Center	1	330,491	50,000	-	0.00%	No Data	No Data
Theme Festival	1	100,000	0	-	0.00%	No Data	No Data
Total	368	45,982,785	523,010	4,324,915	9.41%	\$13.70	\$2.10

SOUTHSIDE BY TYPE

	Number of Properties	GLA in SF	Vacant SF	% Vacant	Average Small Shop Rate PSF	Average CAM PSF
Neighborhood Center	100	7,636,600	625,511	8.19%	\$12.59	\$1.96
Community Center	38	6,223,043	869,937	13.98%	\$13.62	\$1.98
Mall	7	5,582,897	319,446	5.72%	No Data	No Data
Power Center	15	4,766,070	617,944	12.97%	\$17.91	\$2.83
Freestanding	42	3,991,421	140,000	3.51%	No Data	No Data
Other	34	1,275,406	81,072	6.36%	\$13.64	\$2.25
Fashion / Specialty	6	608,940	22,231	3.65%	\$18.10	\$2.83
Theme Festival	1	100,000	-	0.00%	No Data	No Data
	243	30,184,377	2,676,141	8.87%	\$13.88	\$2.20

PENINSULA BY TYPE

	Number of Properties	GLA in SF	Vacant SF	% Vacant	Average Small Shop Rate PSF	Average CAM PSF
Community Center	18	3,673,112	384,281	10.46%	\$13.83	\$1.79
Neighborhood Center	46	3,426,850	461,871	13.48%	\$12.37	\$1.64
Power Center	7	2,554,544	367,750	14.40%	\$16.57	\$2.23
Freestanding	30	3,189,051	214,689	6.73%	No Data	No Data
Mall	3	1,785,396	168,703	9.45%	No Data	No Data
Other	20	840,334	51,480	6.13%	\$14.55	\$2.28
Outlet Center	1	330,491	-	0.00%	No Data	No Data
	125	15,799,778	1,648,774	10.44%	\$13.36	\$1.90



N O R T H C A R O L I N A

RETAIL SUBMARKETS

Southside

Bayfront
Birdneck/Oceanfront
Campostella
Chesapeake Square
Churchland/Harbourview
Dam Neck
Downtown Norfolk
Ghent
Great Bridge
Greenbrier/Battlefield Boulevard
Hilltop/Great Neck
Holland/Green Run
Indian River/College Park
Kempsville
Little Creek Road/Wards Corner
Little Neck
Lynnhaven
Middle Portsmouth
Military Highway/Janaf
Newtown
Pembroke
Princess Anne
Smithfield
Suffolk

Peninsula

Coliseum Central
Denbigh
Foxhill/Buckroe
Gloucester
Hampton Miscellaneous
Patrick Henry
Poquoson
Newmarket/Main
Williamsburg
York County

2004 RETAIL INVESTMENT SALES

In 2004, retail investment sales of \$166.5 million fell short of the \$300 million in 2003, largely due to the sale of Lynnhaven Mall to General Growth in 2003, which sold for an astonishing \$196.92 per square foot. In 2004, Greenbrier Mall sold for \$102 million which was approximately \$114.64 per square foot. It is interesting to note that Greenbrier Mall was previously sold as recently as 2002 for \$60,250,000.

Other than the sale of Greenbrier Mall, three out of the nine sales were neighborhood grocery anchored centers, one big box sale anchored by Sports Authority, and three older centers purchased for redevelopment opportunities including:

<p>Former Farm Fresh 201 West 21st Street Norfolk, VA</p>	<p>Purchased by a Gold's Gym franchisee to develop a mixed use of condominiums, retail, and a world class Gold's Gym.</p>
<p>Mid-City Shopping Center Frederick Blvd. Portsmouth, VA</p>	<p>Sold to the City of Portsmouth for a new major retail development, which is across the street from the site purchased by Home Depot.</p>
<p>Dean Plaza Virginia Beach Blvd. Virginia Beach, VA</p>	<p>Former vacant HQ property which currently includes Office Max to be redeveloped as a mixed use similar to the Virginia Beach Town Center with condominiums, office, retail, and a hotel.</p>

The final sale was at Heritage Square where an owner occupant will be opening a new International Gourmet Supermarket in the former Farm Fresh space.

It is interesting to note that none of the shopping centers in 2003 were purchased for major redevelopment as the four in 2004 listed above. Even though the Federal Reserve slowly increased interest rates in 2004, the lack of available product continues to keep cap rates at extremely low levels.

REPRESENTATIVE 2004 SALES TRANSACTIONS

Shopping Centers	Gross Leasable Area in SF	Purchase Price	Price Per SF
Greenbrier Mall, Chesapeake VA	889,760	\$102,000,000	\$114.64
Fairfield Shopping Center, Virginia Beach	239,763	\$22,548,000	\$94.04
Dean Plaza, Virginia Beach	140,000	\$13,500,000	\$96.43
Woods Corner, Virginia Beach	150,000	\$10,400,000	\$69.33
Elmhurst Square, Portsmouth	66,250	\$5,150,000	\$77.74
Sports Authority, Hampton	42,710	\$4,850,000	\$113.55
Former Farm Fresh, Norfolk*	63,513	\$3,000,000	\$47.23
Heritage Square, Grafton	83,789	\$2,650,000	\$31.63
Midcity Shopping Center, Portsmouth	209,445	\$1,600,000	\$7.64
Princess Anne Shops, Virginia Beach	18,500	\$1,250,000	\$67.57

* part of a larger multi-use property

NEW DEVELOPMENT

A tremendous amount of retail development will continue in 2005 in Hampton Roads. Leading the way are the cities of Chesapeake and Virginia Beach, each with three planned shopping centers, as follows:

Chesapeake

- | | |
|-------------------------------|------------------------|
| 1. Dominion Commons | - Crescent Development |
| 2. Hanbury Commons | - Armada/Hoffler |
| 3. Mount Pleasant Marketplace | - Stanton Partners |

Virginia Beach

- | | |
|---------------------------|----------------------------|
| 1. Courthouse Marketplace | - Armada/Hoffler |
| 2. Redmill Walk | - Ellis Gibson Development |
| 3. Shops at Town Center | - Sifen & Co. |

Newport News has two new centers planned.

Newport News

- | | |
|------------------------------|-----------------------|
| 1. Jefferson Commons | - Goodman Company |
| 2. The Village of Stoney Run | - The Breeden Company |

Isle of Wight, Suffolk, York County and Williamsburg each have one center planned:

Isle of Wight

- | | |
|-----------------------------|-----------------------|
| The Shoppes at Eagle Harbor | - The Breeden Company |
|-----------------------------|-----------------------|

Suffolk

- | | |
|---------------------------------|--------------------|
| Bennett's Creek Shopping Center | - Stanton Partners |
|---------------------------------|--------------------|

York County

- | | |
|----------------------------|-----------------------------|
| Williamsburg Market Center | - Robert Brown & Associates |
|----------------------------|-----------------------------|

Williamsburg

- | | |
|---------------|----------------|
| Windsor Meade | - S.L. Nusbaum |
|---------------|----------------|

In addition to the above, redevelopment and the continuation of existing development will also remain at a rapid pace. Downtown Norfolk's revitalization remains strong with many new projects on the horizon. Portsmouth's Downtown gentrification is evolving with their continued efforts. In Virginia Beach, Town Center is adding more retailers to its mix as it completes each phase. As a result of the growth in population in Isle of Wight County and Suffolk, developers are finding opportunities to capture the discretionary dollars in these markets as well.

Overall, the new development picture remains strong in Hampton Roads, but will force many existing centers to upgrade their property in order to maintain their current tenants and attract new ones.

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

SOUTH SIDE

BAYFRONT

Bayside I & II	A	79,397
Cape Henry Plaza	A	58,424
Lake Shores Plaza	A	55,000
Kroger	H	47,000
Marina Shores	G	30,000

BIRDNECK/OCEANFRONT

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

CAMPOSTELLA

Southgate Plaza	A	69,429
Holly Point SC	A	65,388
Bainbridge Marketplace	A	46,444
George Washington Commons	A	44,942
Campostella Corner	A	43,375

CHESAPEAKE SQUARE

Chesapeake Square Mall	I	800,000
Chesapeake Center	B	297,000
Crossroads @ Ches. Sq.	D	220,000
Home Depot	H	130,060
BJ's	H	115,660
Lowes	H	115,000
Taylor Road Plaza	A	60,000
Food Lion @ Ches. Sq.	H	45,000
Wal-Mart Super Center/Sams	H	350,000

CHURCHLAND-PORTSMOUTH HARBOURVIEW

Harbourview Station East	D	217,308
Churchland SC	A	149,741
Poplar Hill Plaza	B	102,326
Harbourview Station West	D	83,007
Sterling Creek	A	75,660
Churchland Square	A	64,989
Town Point Square	A	58,989
Farmco Plaza	A	50,000
Lowes (Churchland)	H	55,000
Academy Crossing	G	45,800
Marketcenter at Harbourview	A	52,250
Marketplace Square	A	42,400
Grand	H	30,000
Churchland Place	G	22,000

DAM NECK

Red Mill Commons	D	407,318
Strawbridge Marketplace	A	157,429
K-Mart Plaza/Dam Neck Crossing	B	138,571
General Booth Plaza	A	73,320
Sandbridge SC	A	63,082
Dam Neck Square	A	67,917

DOWNTOWN

MacArthur Center Mall	I	1,100,000
Waterside	I	130,338
Downtown Plaza	B	113,840
Church Street Crossing	A	51,000

GHENT

Center Shops	A	120,000
Palace Shops I, II	C	96,000
Colley Village	A	80,425
Farm Fresh	H	63,513

Ghent Market Shoppes	G	37,955
Harris Teeter	H	27,000
The Corner Shops	G	21,522
21st Street Pavilion	G	21,000
Ghent Place	G	13,000

GREAT BRIDGE

Great Bridge SC	A	160,517
Woodford Square	B	139,523
Dominion Marketplace	A	75,506
Crossing at Deep Creek	A	68,920
Dominion Plaza SC	A	63,733
Las Gaviotas	A	82,000
Glenwood Square	A	66,659
Wilson Village	A	52,000
Former Winn Dixie	H	50,000
Centerville Crossing	A	45,000
Mount Pleasant Village	A	39,970
Cedar Lake	A	29,557

GREENBRIER/BATTLEFIELD BLVD

Greenbrier Mall	I	889,760
Greenbrier Market Center	D	487,580
Crossways Center I & Eden Way Shops	D	371,737
Wal-Mart/Sam's Club/Kohl's	D	433,821
Chesapeake Crossing	B	287,679
K-Mart/OfficeMax	H	165,000
Crossways II	D	152,686
Home Depot	H	130,060
Lowes	H	114,000
Greenbrier South SC	A	97,500
Orchard Square	A	88,728
Parkview @ Greenbrier	A	83,711
Gainsborough Square	A	88,838
Regal Cinemas	H	60,763
Volvo Parkway SC	G	41,874
The Shoppes at Greenbrier	G	40,350
Battlefield Marketplace	G	30,000
Knell's Ridge Square	G	30,000
Village Square	G	15,000
Walmart Way Crossing	G	41,000

HILLTOP/GREAT NECK

Hilltop Square	B	220,413
Regency Hilltop	B	236,549
Hilltop North	B	202,511
Hilltop Plaza	B	152,025
Target	H	122,000
Hilltop East	C	100,000
Marketplace at Hilltop	C	121,000
Great Neck Square	A	87,320
Great Neck Village	A	78,836
La Promenade	C	62,560
Kroger Plaza	A	59,000
Hilltop West	G	60,000

HOLLAND/GREEN RUN

Holland Windsor Crossing (Super K-Mart)	B	237,400
Chimney Hill	B	207,175
Holland Plaza SC	A	155,000
Lowes	H	125,323
Timberlake SC	A	73,505
Shipp's Corner	A	63,355
Green Run Square	A	53,300
Lynnhaven Green	A	50,838
Auburn Place	A	44,846

INDIAN RIVER/COLLEGE PARK

College Park I & II	B	181,102
Indian River Plaza	B	126,017
Indian River SC	A	123,752
Tidewater Plaza	A	50,638

KEMPSVILLE

Kemps River Crossing	B	223,917
Fairfield SC	B	239,763
Woods Corner	A	150,000
Providence Square SC	A	144,893
Kempsville Crossing	A	111,394
Arrowhead Plaza	A	97,006
Parkway Marketplace	A	72,863
Kempsville Plaza	A	60,778
Kemps River Center	A	70,994
University Shoppes	A	47,200
Kemps Corner	G	25,929

LITTLE CREEK

Tidewater I & II SC	B	126,212
Southern SC	B	260,000
Little Creek East SC	B	202,338
Ames/Kroger	B	140,568
Wedgewood SC	A	130,000
Suburban Park	B	120,520
Roosevelt Gardens SC	A	109,175
Little Creek Square	A	82,300
Mid-Town SC	A	75,768
Ocean View SC	A	73,658
Farm Fresh - Little Creek	H	66,000
East Beach Shoppes	A	63,000
Wards Corner Strip	A	61,540
Roosevelt East	A	51,900
Glenwood Shoppes	A	53,255
Mid-Way SC	G	31,000
Meadowbrook S C	G	27,260

LITTLE NECK

Birchwood SC	A	358,635
Sam's Club Plaza	D	285,000
Ames Plaza	B	177,549
Home Depot	H	120,000
London Bridge Plaza	B	115,555
Princess Anne Plaza West	C	90,000
Regatta Bay Shops	G	60,000
Renaissance Place	G	47,667
Kroger	H	45,000
Lynnhaven Convenience	G	36,900

LYNNHAVEN

Lynnhaven Mall	I	1,286,000
Lynnhaven N./N. Mall	B	176,254
Walmart	H	113,112
Lynnhaven East	B	97,303
Farm Fresh Center - Lynnhaven Convenience	B	60,000
Lynnhaven Crossing	G	55,550
Lynnway Place	G	30,213
Lynnshores SC	B	12,692

MIDDLE PORTSMOUTH

Williams Court	B	214,739
Mid City SC	B	209,445
Victory Crossing	D	311,000
Westgate Plaza	A	126,955
Afton SC	A	106,500
Triangle SC	A	82,382
Airline Plaza	A	99,549
Manor Commerce Center	G	67,060
Elmhurst Square	A	66,250
Manor Shops	A	14,573
Farm Fresh Center	A	51,130
Rodman SC	A	45,000
Gilmerton Square	G	43,268
Olde Towne Market Place	A	38,200

MILITARY HIGHWAY/JANAF

Janaf	D	834,000
The Gallery @ Military Circle	I	856,542
Broad Creek SC	D	364,000
Super K-Mart & Shoppes	B	200,000
Military Crossing	D	194,606
Best Square	B	177,216
Dump/Mega Office	G	115,854
Lowes	H	115,000
Walmart	H	224,513
CostCo	H	110,000
Northampton Business Center (former Hampton Blvd.)	G	5760 N
Farm Fresh	H	60,000
Bromley SC	A	55,330
Food Lion #170	H	41,000
Grand Outlet	H	35,000
Nursery/Military	H	25,000

NEWTOWN

Cypress Point	A	117,958
Newpointe SC	A	92,978
Newtown Baker Crossing	A	91,687
Cypress Plaza SC	A	59,012
Wesleyan Commons	A	54,594
Weblin Square	G	31,552
Thomas Corner SC	G	16,747
Hunter's Mill Shoppes	G	22,827
Newtown Center	G	19,876
Newtown Convenience Ctr.	A	19,750
Diamond Spring Shoppes	G	18,840

PEMBROKE

Pembroke Mall	I	570,000
Haynes	H	228,000
Pembroke Pl. & East Shps	B	186,074
Columbus Village Entertainment Center	E	120,000
Dean Plaza (Former HQ)	D	140,000
Giant Square	B	149,000
Loehmann's Plaza	C	139,380
Haygood SC	B	160,129
Collins Square	A	111,370
Value City	H	95,000
Pembroke Meadows SC	A	81,590
Aragona SC	A	69,688
Columbus Village East	A	63,000
Bloom Brothers Furniture	H	58,000
Haverty's	H	55,000
Roomstore	H	50,000
Best Buy	H	45,000
Former Kroger	H	45,000
Circuit City	H	38,414
Northern Super Center	G	36,788
Goodwill	H	34,000

PRINCESS ANNE

Salem Crossing	D	289,172
Princess Anne Marketplace	B	209,500
Home Depot	H	130,000
Pleasant Valley Marketplace	A	86,107
Princess One SC	A	84,725
Kempsville Marketplace	A	71,460
Parkway SC	A	64,820
Woodtide SC	A	25,470
Salem Lakes SC	A	37,087
Lynnhaven Square S C	G	22,933

SMITHFIELD

Smithfield SC	B	89,120
Smithfield Square	A	65,224
Eagle Harbor	A	77,400

SUFFOLK

Wal-Mart Super Center/Sam's	H	194,160
Suffolk Plaza	B	174,221
Lowes	H	150,000

Suffolk SC	B	155,733
Holland Plaza	A	69,345
Bennetts Creek Food Lion	A	64,544
Suffolk Plaza West	A	60,000
Kensington Square	A	60,000
Oak Ridge SC	A	38,700
Suffolk Village SC	B	11,875

PENINSULA**COLISEUM CENTRAL**

Coliseum Mall	I	1,069,000
Hampton Towne Centre	D	376,100
Riverdale Plaza	D	237,748
Todd Center & Todd Lane Shops	B	242,387
Coliseum Crossing	B	221,004
Walmart Super Center	H	193,316
The Power Plant	D	456,517
Home Depot	H	130,060
Target	H	122,000
Coliseum Marketplace	A	86,681
Hampton Woods	A	95,440
Coliseum Corner	A	49,434
Coliseum Square	G	45,041
Sports Authority	H	42,710
Coliseum Specialty Shops	G	15,026

DENBIGH

Denbigh Village Centre	B	334,299
Newport Crossing	B	200,088
Warwick Denbigh SC	B	137,925
Denbigh Crossing	A	144,652
Ferguson Center	G	118,000
Kmart	H	115,854
Former Hills Denbigh	H	86,589
Haynes	H	85,000
Stoneybrook Shopping Center	A	74,240
Richneck Center	A	63,925
Tumbery Crossing	A	53,775
Village Square	A	40,000
Beaconsdale SC	A	28,000
Denbigh Specialty Shops	G	24,504
Lee Hall Plaza	A	40,000

FOXHILL/BUCKROE/EAST MERCURY

Willow Oaks Village Square S.C.	B	193,728
Langley Square	A	157,000
Kmart	H	94,500
Nickerson Plaza	A	83,849
Buckroe SC	A	76,000
Marketplace @ Nickerson	A	71,050
Farm Fresh (Phoebus)	H	39,000

GLOUCESTER

Winn Dixie Marketplace	B	165,000
York River Crossing	B	153,531
Gloucester Exchange	A	103,000
Hayes SC	A	100,000
Hayes Plaza SC	A	56,651
Food Lion	H	40,000
Wal-Mart Super Center	H	220,000
Home Depot	H	100,000
Lowe's	H	125,000

HAMPTON MISCELLANEOUS

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

NEWMARKET/MAIN

Newmarket South	D	429,920
Hampton Plaza	B	173,199
Forest Park Square	B	155,000
4113 W Mercury Blvd.	H	149,770
Warwick Center	A	137,925
Plaza @ Newmarket	B	109,120
Warwick Village	A	75,400
Hilton SC	A	74,000
Midway SC	G	58,780

Francisco Village	A	56,720
Brentwood SC	A	52,570
Dresden SC	G	35,000
4205 W. Mercury Blvd.	H	28,080

PATRICK HENRY/OYSTER POINT/KILN CREEK

Patrick Henry Mall	I	644,000
Newport Marketplace	D	450,000
Yoder Plaza SC	D	435,000
Village Square @ Kiln Creek	B	267,021
Walmart Super Center	H	201,146
Newport Square	B	184,126
Jefferson Plaza	D	178,200
Sam's Club	H	133,880
Best Buy Building	H	135,000
Lowes	H	120,000
Hiddenwood SC	A	100,000
Oyster Point Square	A	87,800
Oyster Point Plaza	A	73,197
Market Place @ O.P.	A	69,100
Victory Center @ Kiln Creek	A	61,000
Bayberry Village	A	60,147
Jefferson Greene	G	57,430
Kroger	H	55,000
Harris Teeter	H	52,334
Villages of Kiln Creek	G	45,300
Haverty's	H	45,000
Fairway Plaza	G	37,950
Grand Furniture	H	35,000
Commerce Plaza	G	33,976
Commonwealth Center	G	30,279
Office Depot	H	30,122
Glendale SC	G	30,000
Haynes	H	85,000

POQUOSON

Poquoson SC	A	52,458
Poquoson Commons	A	55,367
Wythe Creek SC	A	55,367

WILLIAMSBURG

Monticello Marketplace	B	300,000
Prime Outlets	F	280,491
Williamsburg SC I & II	B	251,000
Williamsburg Outlet Mall	I	180,000
Williamsburg Crossing	A	149,333
James York Plaza	B	129,277
Kingsgate Green	B	121,339
Lowes	H	163,000
Governor's Green SC	A	100,000
Monticello SC	A	82,090
Village Shops at Kingsmill	G	82,234
Williamsburg Farm Fresh	A	79,188
Colony Square	A	66,806
Ewell Station	A	68,048
Norge Crossing	H	52,000
Williamsburg Towne and Cnty	A	49,800
Williamsburg Pavillion Shops	G	46,000
Staples	H	37,400
Marketplace Shopping Center	G	30,000
Olde Towne SC	G	30,000
Gallery Shops	G	18,187
Festival Marketplace	G	16,216
Marketplace Shoppes	G	26,626
Wal-Mart Super Center	H	210,000

YORK COUNTY

Kiln Creek Center	A	115,700
York Square	A	48,720
Shady Banks SC	A	57,654
Grafton SC	A	71,936
Patriots Square	A	47,231
Heritage Square	A	83,789
Marketplace @ Yorktown	A	73,050
Washington Square & Shops	B	254,972
Former Frank's Nursery	H	25,000
Wal-Mart Super Center	H	220,000



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Special Thanks To:

Robert R. Beasley, Jr.
NAI Harvey Lindsay

Kenneth Benassi
Advantis/GVA

Ron Biesecker
Thalhimer/Cushman & Wakefield

Charles Dickinson
NAI Harvey Lindsay

Brian Dundon
Brian J. Dundon and Associates

Abe Ellis, SIOR
Thalhimer/Cushman & Wakefield

Trip Ferguson
Advantis/GVA

Jonathan Guion, SIOR
Sperry Van Ness

Joyce Hartman
Sperry Van Ness

Virginia Henderson
Commercial First Appraisers, LLC

Christine Kaempf
Thalhimer/Cushman & Wakefield

William E. King, SIOR
NAI Harvey Lindsay

Patrick Mumey, SIOR
Thalhimer/Cushman & Wakefield

Robert Phillips
Thalhimer/Cushman & Wakefield

Real Estate Assessor's Office
City of Chesapeake

Worth Remick
CB Richard Ellis

Michael Shapiro
Advantis/GVA

Eugene L. Worley, Jr.
NAI Harvey Lindsay

Betsi Bartee
Thalhimer/Cushman & Wakefield

Acknowledgements

Author:

R. L. "Abe" Ellis, SIOR
Vice President
Thalhimer / Cushman & Wakefield

Data Preparation:

Joyce Hartman
Sperry Van Ness
Commercial Real Estate Advisors

Survey Coordination:

R. L. "Abe" Ellis, SIOR
Thalhimer / Cushman & Wakefield

Financial Support: Old Dominion University Center for Real Estate and Economic Development (CREED) reports are funded by donations from individuals, organizations and the CREED Advisory Board.

Statistical data provided by Society of Office and Industrial Realtors (SIOR) Comparative Statistics Market Survey. Research data provided by Real Capital Analytics through Sperry Van Ness.

GENERAL OVERVIEW

This report analyzes the 2004 industrial real estate conditions within the Virginia Beach-Norfolk-Newport News, VA-NC Metropolitan Statistical Area (the "MSA") that is also known as Hampton Roads. It provides inventory, vacancy, rent, sale and other data for the MSA. The survey includes properties in the cities of Chesapeake, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach, and Williamsburg, plus the counties of Gloucester, James City, York and Isle of Wight.

METHODOLOGY

This survey includes the following types of properties:

- Office-warehouse, industrial and shop facilities of 5,000 square feet or greater, although some facilities of less than 5,000 square feet may be included.
- Properties must have less than 80% office space to be included in the SIOR/ODU survey.
- Both owner-occupied and leased properties are included. Owner-occupied is defined as a property that is 100% occupied by a business that is the same as or is related to the owner of the building.
- This survey includes 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.

The survey excludes the following types of properties:

- Land
- Warehouse or shop facilities on shipyard properties
- Warehouse or other industrial facilities on federal government property (i.e., U.S. Naval Bases)
- Industrial facilities on government property (i.e., Norfolk International Terminal or Newport News Marine Terminal)

Functional market areas determined submarket delineations with minimal regard to city boundaries. The entire market is divided into 16 submarkets defined by industrial building concentrations, the transportation network, and pertinent physical features. The area map provides a location key for reference.

OVERVIEW

The Old Dominion University Center for Real Estate and Economic Development (CREED) has been tracking the inventory of the Hampton Roads industrial market since 1995. The results of the 2004 survey indicate that the Hampton Roads industrial market currently encompasses 95,999,871 total square feet of space located in 2,715 buildings throughout the Region. This is an increase of 3,804,820 square feet, or nearly 4.0%, from the 2003 survey. This increase is due to the addition of a new submarket known as Isle of Wight, in addition to the inclusion of building expansions and other new construction in the region. Continued improvement in data collection also contributed to this increase in inventory.

Based on absorption, actual growth in the market was 1.7%, which fell short of the 2.5% growth in 2003.

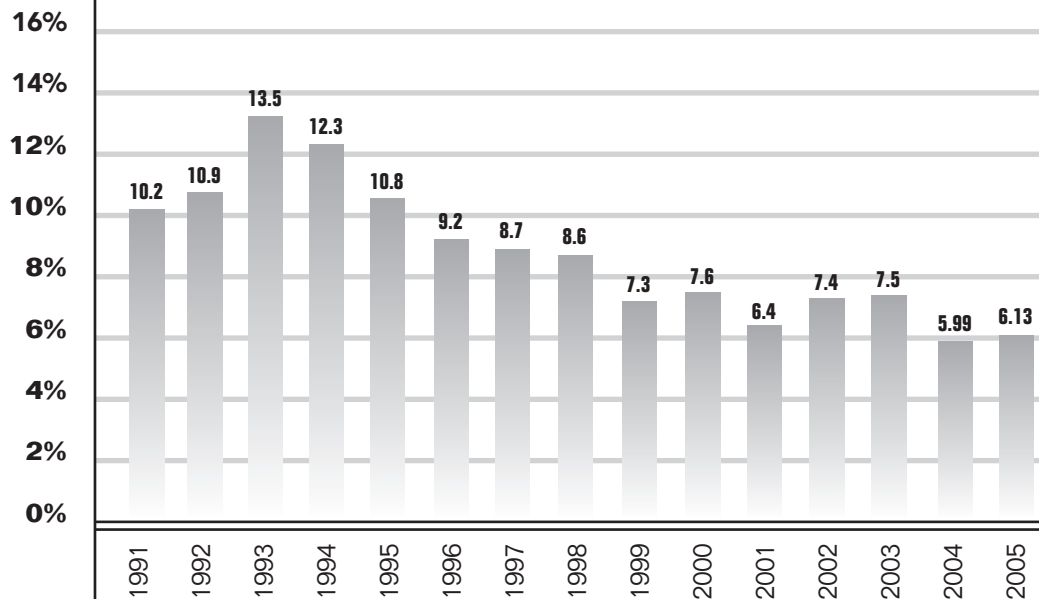
HAMPTON ROADS OVERVIEW

As part of the SIOR National Industrial Survey, the Hampton Roads industrial market is within the South-Atlantic Region of the United States, which includes twenty-seven major markets spanning from Maryland into Florida. The South-Atlantic Region as a whole saw some increase in its industrial vacancy rates rise; however, Hampton Roads posted one of the lowest vacancy rates with an overall vacancy rate of slightly more than 6.0%. Many of our local submarkets saw vacancies at year-end below 3.5%, another indication of the strength of the prime industrial pockets here locally. The availability of “for sale” industrial buildings, particularly on the Southside, continued to be a major deficit in the market.

Hampton Roads witnessed a continual decline in vacancy rates until 2002, primarily due to decreased new construction. But the end of 2002 saw a rise in vacancy to 7.5%, followed by a sharp reduction to just below 6.0% in 2003. The Hampton Roads market remained steady in 2004 and is once again hovering in the 6.0% range at year’s end. Hampton Roads remains a very stable, healthy industrial market when compared with many other regional markets.

HAMPTON ROADS INDUSTRIAL MARKET VACANCY RATE

(as of 1st month of the year)



SUBMARKET HIGHLIGHTS

Norfolk Industrial Park, the City of Suffolk and the Copeland/Lower Peninsula submarkets are the three largest concentrations of industrial space in the Hampton Roads market, offering in excess of 9 million square feet each. Once again, the Copeland/Lower Peninsula submarket posted the highest vacancy in the overall market with 17.43%, while Norfolk Industrial and the City of Suffolk are at 4.07% and 6.13%, respectively. The greatest upward change in vacancy occurred in Portsmouth, which grew from a 2.2% vacancy in 2003 to the market's current second highest vacancy of 9.13% in 2004. The Greenbrier submarket, which is also the fourth largest concentration of space at 8.22 million square feet, currently boasts the lowest vacancy with only 2.12% of its sub-market available. This does not take into consideration the recently added Isle of Wight submarket (vacancy of 0.68%), where buildings have been constructed with occupancy determined prior to construction.

Land for growth is a major consideration for the location of new buildings in the region, and is very limited in areas in close proximity to the major population bases. Suffolk continues to outpace the other submarkets mostly because of available land and access to area transportation systems. The older industrial parks will remain strong because of their established locations and proximity to the population base, but new growth will continue to occur in the surrounding suburban submarkets.

The breakdown of available space by unit size continues to change slightly from year to year. The most recognizable change in the past year has been a shift to a more abundant supply of larger units. The percentages of buildings that are available in each size range are as follows:

PERCENTAGE OF AVAILABLE BUILDING BY SIZE RANGE

Begin Size (SF)	2001	2002	2003	2004
< 5,000	30%	15%	32%	25%
5,000 - 20,000	40%	52%	44%	40%
20,000 - 40,000	15%	18%	12%	15%
40,000 - 60,000	9%	8%	7%	8%
> 60,000	6%	7%	5%	12%

Available space continues to be most lacking in the smaller size range (below 5,000 square feet), and also lacking in “for sale” opportunities, in all size ranges. This trend is likely to continue into the foreseeable future. As mentioned above, land availability is extremely limited in the central portion of the Hampton Roads market.

PERCENTAGE OF AVAILABLE SPACE BY SIZE RANGE

Begin Size (SF)	2004
< 5,000	3%
5,000 - 20,000	18%
20,000 - 40,000	19%
40,000 - 60,000	15%
> 60,000	45%

Average market asking rents for smaller spaces (less than 20,000 square feet) have risen substantially during the past year. The decrease in the number of smaller units available has led to this increase in asking rents. Also, a similar increase in asking rents for the mid-range units (20,000 to 40,000 square feet) is reflective of the decrease in the overall availability of these units, while the slight decrease in asking rents for the largest units is reflective of the older age of those units and a larger average unit size available. The variance between asking lease rates and final negotiated rates, highly dependent on the age and location of a particular building, has been, between 6% and 9% in 2004.

AVERAGE MARKET ASKING RENTS (\$/SF)

Begin Size (SF)	2001	2002	2003	2004
< 5,000	\$6.34	\$7.16	\$6.95	\$7.30
5,000 - 20,000	\$4.46	\$5.80	\$5.89	\$6.20
20,000 - 40,000	\$4.35	\$4.99	\$5.21	\$5.45
40,000 - 60,000	\$4.15	\$4.13	\$4.44	\$4.75
> 60,000	\$3.24	\$3.43	\$3.15	\$4.00

SALES OVERVIEW

The 2004 sales activity for industrial buildings witnessed significant improvement in limited areas. A somewhat rare and abundant supply of “for sale” opportunities on the Peninsula, flowing into 2004 from previous years, led to a number of closed sales in 2004. The Southside however, has been faced with a lack of purchase opportunities for several years, with minimal relief in sight. Available industrial buildings have been hard to find for a combination of reasons. Due to the election year in 2004, the slowed economy put some expansion plans on hold and the lack of available sites has factored into the decisions to not move.

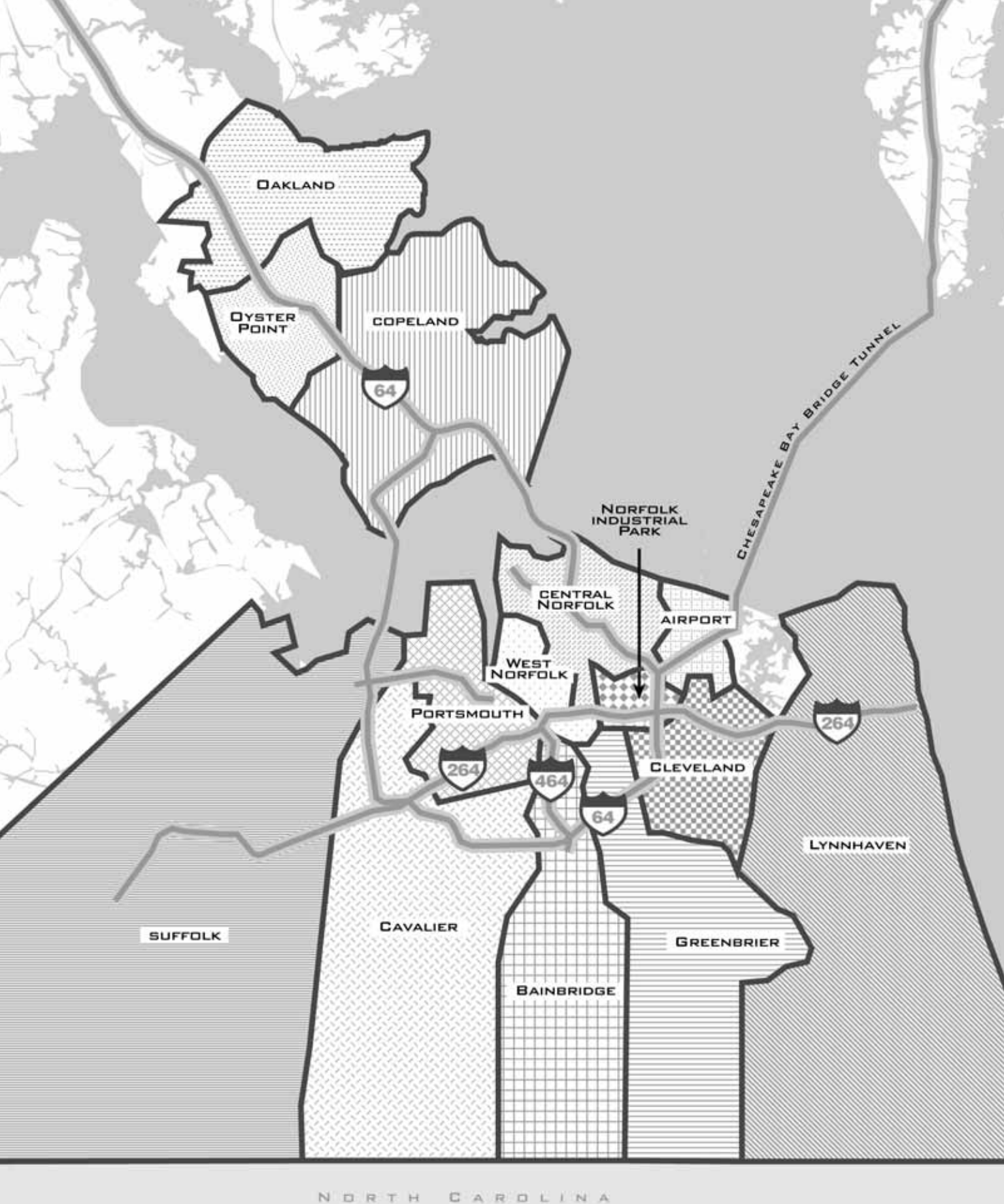
REPRESENTATIVE BUILDING SALES TRANSACTIONS

Date	Location	Sq. Ft.	Price	\$/SF	Acres
Dec	Norfolk Norfolk Square	12,739	\$725,000	\$56.91	1.85
Oct	Suffolk Progress Road	52,541	\$2,000,000	\$38.07	17.18
Sep	Suffolk Lakeview Pkwy.	100,000	\$6,000,000	\$60.00	7.3
Jul	Newport News Pickett's Line	170,000	\$5,800,000	\$34.12	11.75
Jul	Portsmouth Elm Avenue	110,481	\$2,500,000	\$22.63	21.42
Jun	Hampton 58th Street	100,378	\$1,725,000	\$17.19	13.00
Jun	Portsmouth Victory Blvd.	37,200	\$1,150,000	\$30.91	4.30
May	James City County John Deere Drive	307,784	\$8,000,000	\$25.99	74.37
Apr	Chesapeake Dexter Street	151,669	\$3,817,000	\$25.17	13.31
Mar	Norfolk Progress Road	16,542	\$600,000	\$36.27	1.06
Feb	Chesapeake Smith Douglas Road	0	\$3,400,000	\$64,430 / acre	52.77

2004 SIOR/ODU HAMPTON ROADS INDUSTRIAL SURVEY

Submarket Totals

Submarket	City	Bldgs Surveyed	Total Sq Ft	Vacancy Sq Ft	Vacancy %
Greenbrier Area	Chesapeake	264	8,220,916	174,544	2.12%
Bainbridge/S. Elizabeth River Area	Chesapeake	140	5,419,620	182,300	3.36%
Cavalier Industrial Park Area	Chesapeake	183	5,548,410	451,380	8.14%
Norfolk Commerce Park/ Central Norfolk Area	Norfolk	139	7,022,625	204,354	2.91%
Norfolk Industrial Park Area	Norfolk	345	10,000,764	407,199	4.07%
West Side/Midtown Norfolk Area	Norfolk	258	6,096,910	392,273	6.43%
Lynnhaven Area	Virginia Beach	180	5,957,567	197,311	3.31%
Greenwich Rd./Cleveland Streets Area	Virginia Beach	128	3,038,487	74,431	2.45%
Airport Industrial Park Area	Virginia Beach	78	3,850,048	130,560	3.39%
City of Portsmouth	Portsmouth	161	3,755,675	342,877	9.13%
City of Suffolk	Suffolk	143	9,269,030	568,506	6.13%
Isle of Wight County	Isle of Wight	14	2,060,950	14,000	0.68%
Southside Totals		2,033	70,241,002	3,139,735	4.47%
Copeland/Lower Peninsula Area	Peninsula	362	9,612,986	1,675,175	17.43%
Oyster Point/Middle Peninsula Area	Peninsula	157	3,958,154	202,865	5.13%
Oakland/Upper Peninsula Area	Peninsula	119	4,717,166	348,700	7.39%
Williamsburg Extended Area	Peninsula	44	7,470,563	514,149	6.88%
Peninsula Totals		682	25,758,869	2,740,889	10.64%
Totals		2,715	95,999,871	5,880,624	6.13%



NORTH CAROLINA

INDUSTRIAL SUBMARKETS

Southside

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

Peninsula

Copeland
Oakland
Oyster Point
Williamsburg Extended

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Office

HAMPTON ROADS 2005

OFFICE

MARKET SURVEY

Acknowledgements

Authors:

Donald R. Crigger, CCIM
Senior Director, Office Brokerage
Advantis/GVA

Chris Bendit
Director
Advantis/GVA

Data Analysis:

Chuck Horigan
Director of Research
Advantis/GVA

Data Collection:

Chris Clay
CB Richard Ellis

Mary Ellen Woolfolk
Advantis/GVA

Chuck Horigan
Advantis/GVA

Vivian Turok
Divaris Real Estate

Chris Bendit
Advantis/GVA

Mark B. Warlick, SIOR
S.L. Nusbaum Realty Co.

GENERAL OVERVIEW

This report analyzes current office market conditions within the Virginia Beach-Norfolk-Newport News MSA (“MSA”), known as Hampton Roads. It provides a summary of average rent, inventory and vacancy by sub-market and class of office space. Rents and vacancies are drawn from a sample size of over 400 properties.

METHODOLOGY

The Old Dominion University Center for Real Estate and Economic Development maintains a research database, which contains historical information on office space within the Hampton Roads area. The 2005 survey contains information on 22.3 million square feet of multi-tenant office space and 3.1 million square feet of owner-occupied office buildings. Of the multi-tenant inventory, Class A space accounts for approximately 8.4 million square feet, Class B space accounts for 13.1 million square feet, with Class C space accounting for the remaining 0.78 million square feet of inventory.

The survey data reflects market conditions as of December 31, 2004. The information was assembled through direct contact with office building leasing agents, property managers, and owners. Generally, only that data which is collected from those sources is actually used for analysis purposes; however, vacancy and rents have been estimated for less than two percent of the properties for which data was unavailable.

Included in the survey are buildings of 10,000 square feet or more, excluding those buildings, which are exclusively medical, or government-owned. The actual number of square feet in the survey may vary from year to year as property use, tenant build-out, measurement methodology, and ownership change over time. The survey rent and vacancy calculations are based on net leasable area, which is defined as the usable square footage available for tenant use plus common areas (e.g., restrooms, corridors) included in rent calculations. Average asking rents for regions and submarkets are calculated using weighted averages of building net leasable areas. Asking rents represent the equivalent “gross rent” or full-service rent. Charges for utilities and janitorial service in flex buildings have been estimated to be approximately \$2.25 per square foot.

For the purposes of this survey, office buildings have been identified as Class A, Class B, or Class C space. The parameters for these classifications are outlined on the next page.

BUILDING CLASSES

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

1. Command rents at the highest level
2. Were generally constructed since 1986 if low rise or since 1968 if high rise
3. Have interior appointments and standards representative of the top of the market
4. Are multi-story buildings with high quality exterior materials and landscaping
5. Are professionally managed and maintained
6. Are in an excellent location within a submarket
7. Offer building amenities such as food service, conference room, and fitness center

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

1. Achieve rents generally \$2-3 below Class A buildings
2. Are primarily low rise and flex-type properties except in Downtown locations
3. Were generally constructed prior to 1986
4. Have good quality interior appointments and standards
5. Are professionally managed and maintained
6. Have good quality exterior materials

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

1. Have rents at the lowest range of competitive office space; generally \$4-5 below Class A buildings
2. Were constructed prior to 1980 and modestly maintained
3. Have systems and interior appointments that are dated
4. May not provide handicap access or meet other current building code requirements due to "grandfather" code provisions

This report encompasses office properties in the cities of Chesapeake, Hampton, Newport News, Norfolk, Portsmouth, Suffolk, Virginia Beach, Williamsburg and James City and York Counties.

HAMPTON ROADS OVERVIEW

The regional multi-tenant office market encompasses approximately 22.3 million square feet of net leasable space plus approximately 3.1 million square feet of owner-occupied space.

- The average asking rents for the overall market increased from \$15.54 per square foot to \$15.61 per square foot, as a blended average for Class A and B space.
- Average asking rents increased in both the Southside and the Peninsula submarkets while Downtown Norfolk declined slightly.
- The total market vacancy rate has decreased nearly three percentage points to 10.1%. In Downtown Norfolk, the vacancy rate remained fairly steady going from 15.5 % to 15.8%. The Southside Suburban vacancy rate decreased two percentage points from 10.8% to 8.7%. The Peninsula market made the biggest move in 2004, dropping almost seven percentage points from its 2003 vacancy rate of 16.7% to 9.8%.
- New construction remained sparse in 2004 with the addition of only 250,000 square feet, most of which was on the Southside. The positive absorption of over 800,000 square feet was largely the result of existing companies expanding within the region.

The Hampton Roads office market continued its gradual improvement during 2004 as the vacancy rate dropped 2.9% to 10.1%. The Virginia Peninsula led the region with nearly 60% of the absorption highlighted by the largest lease transaction in the market, as Northrop Grumman leased 101,000 square feet in Hampton's NetCenter.

After years of anticipation, Hampton Roads is finally seeing the impact of increased defense and homeland security spending on the office market. The majority of the new demand for space has come from existing companies expanding with still very few new companies entering the region. The healthiest of all product types is the multi-story, Class A sector with vacancy decreasing to 7.2%. In all likelihood, this type of product will soon see a return of new construction with a speculative component, albeit in very modest quantities. With steel and concrete prices soaring to unprecedented levels due to the overwhelming worldwide demand, developers are carefully weighing the decision to add supply to the market at rental rates that will inevitably exceed levels previously achieved.

The more than 800,000 square feet absorbed in 2004 represents a significant increase over the previous four years. Tightening conditions will begin to put upward pressure on rental rates for the first time in nearly two decades. Continued low interest rates combined with increased replacement costs for new construction promise to support high prices during the coming years.

FIGURE I

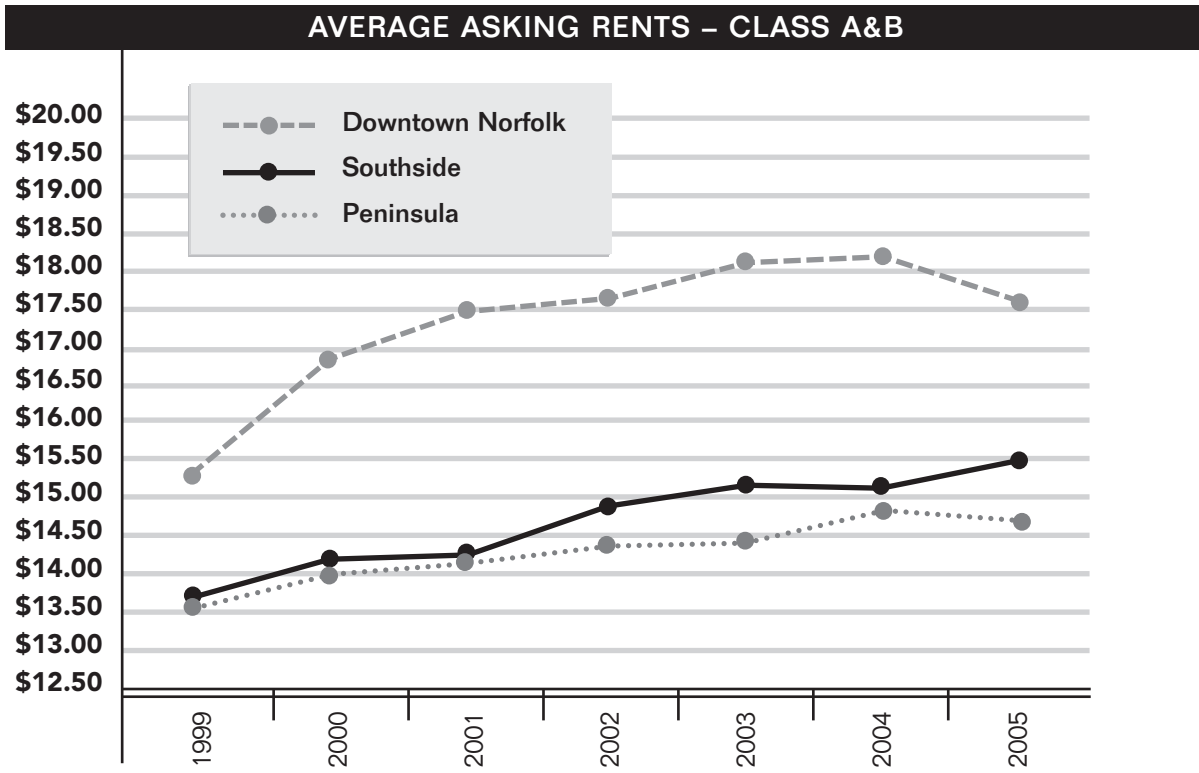
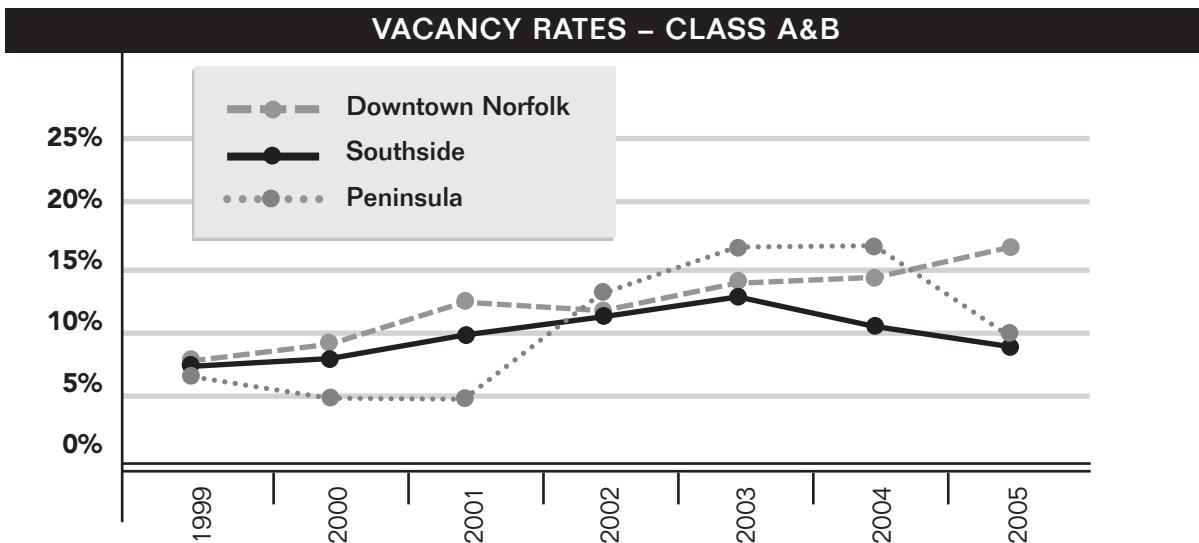


FIGURE II



AVERAGE RENTS AND VACANCIES

TABLE I

MULTI-TENANT CLASS A, B AND C								
YEAR	DOWNTOWN NORFOLK		SOUTHSIDE		PENINSULA		TOTAL MARKET	
	AVG. RENT	% VAC.	AVG. RENT	% VAC.	AVG. RENT	% VAC.	AVG. RENT	% VAC.
1983	\$12.33	7.8%	\$11.27	13.1%	N/A	N/A	N/A	N/A
1984	\$13.79	16.1%	\$11.88	18.8%	N/A	N/A	N/A	N/A
1985	\$14.97	11.9%	\$11.93	17.2%	N/A	N/A	N/A	N/A
1986	\$15.29	10.7%	\$11.95	19.4%	N/A	N/A	N/A	N/A
1987	\$16.60	18.0%	\$11.89	19.1%	\$11.69	25.9%	N/A	N/A
1988	\$17.50	22.3%	\$12.41	20.7%	\$12.48	25.1%	N/A	N/A
1989	\$17.75	18.9%	\$12.59	18.5%	\$13.20	23.4%	N/A	N/A
1990	\$17.18	18.9%	\$12.77	19.0%	\$12.67	25.5%	N/A	N/A
1991	\$18.08	15.8%	\$12.65	19.5%	\$12.57	29.0%	N/A	N/A
1992	\$13.00	20.0%	\$12.56	16.6%	\$12.26	22.1%	N/A	N/A
1993	\$13.46	19.9%	\$12.60	17.9%	\$11.57	17.6%	N/A	N/A
1994	\$14.73	22.1%	\$12.43	14.3%	\$12.33	14.8%	N/A	N/A
1995	\$14.39	26.8%	\$12.29	12.0%	\$12.53	13.1%	N/A	N/A
1996	\$14.18	21.6%	\$12.60	11.5%	\$12.52	9.9%	N/A	N/A
1997	\$13.50	15.9%	\$12.96	8.9%	\$12.69	10.3%	\$12.56	10.5%
1998	\$14.63	13.7%	\$13.26	8.4%	\$12.90	7.6%	\$13.42	9.2%
1999	\$15.27	8.5%	\$13.52	7.9%	\$13.26	7.5%	\$13.85	7.9%
2000	\$16.83	9.3%	\$13.94	8.1%	\$13.48	5.1%	\$14.29	7.8%
2001	\$17.25	13.5%	\$14.09	10.1%	\$13.87	5.7%	\$14.57	9.7%
2002	\$17.41	11.8%	\$14.74	11.2%	\$14.16	12.9%	\$15.04	11.8%
2003	\$17.90	15.7%	\$15.01	12.8%	\$14.28	16.9%	\$15.13	14.3%
2004	\$17.90	15.5%	\$15.03	12.1%	\$14.86	16.7%	\$15.39	13.0%
2005	\$17.38	15.8%	\$15.38	8.7%	\$14.52	9.9%	\$15.46	10.1%

Note: The Peninsula market was not included in the survey until 1987; Market totals not calculated until 1997. N/A = Not Available

CLASS A AND B ONLY								
YEAR	DOWNTOWN NORFOLK		SOUTHSIDE		PENINSULA		TOTAL MARKET	
	AVG. RENT	% VAC.	AVG. RENT	% VAC.	AVG. RENT	% VAC.	AVG. RENT	% VAC.
1994	\$15.17	17.6%	\$12.53	13.0%	\$12.61	13.0%	N/A	N/A
1995	\$14.68	23.1%	\$12.41	11.9%	\$12.93	11.5%	N/A	N/A
1996	\$14.20	21.4%	\$12.80	11.4%	\$12.88	8.0%	N/A	N/A
1997	\$13.52	16.8%	\$13.13	8.4%	\$12.98	9.0%	\$12.75	10.0%
1998	\$14.65	13.3%	\$13.42	7.9%	\$13.21	6.9%	\$13.60	8.7%
1999	\$15.29	8.1%	\$13.67	7.7%	\$13.54	6.8%	\$13.92	7.8%
2000	\$16.83	9.3%	\$14.16	8.1%	\$13.98	5.1%	\$14.57	7.7%
2001	\$17.44	12.5%	\$14.21	9.9%	\$14.16	4.9%	\$14.75	9.3%
2002	\$17.61	11.0%	\$14.74	11.3%	\$14.35	13.1%	\$15.20	11.7%
2003	\$18.08	13.9%	\$15.13	12.8%	\$14.45	16.6%	\$15.28	13.9%
2004	\$18.16	14.3%	\$15.14	10.8%	\$14.83	16.7%	\$15.54	12.8%
2005	\$17.56	16.2%	\$15.49	8.7%	\$14.72	9.8%	\$15.61	10.2%

DOWNTOWN NORFOLK MARKET

From a statistical standpoint, very little changed in Downtown Norfolk during 2004. Without significant new entrants into the financial district, downtown did not incur any substantial losses and maintained its stability. Redevelopment and adaptation continue to be a theme as the city center continues to mature and diversify year after year.

2004 saw the historic Selden Arcade being converted from its roots as a retail and office landmark to the D'Art Center taking advantage of the pedestrian friendly Main Street location. Granby Street continued its renaissance as well, with still more new restaurants, loft apartments and a renovated theatre about to reopen after nearly two decades.

Significantly, in addition to its corporate headquarters at Plume Center West, Trader Publishing announced plans to construct a new headquarters building for their electronic media group on the Federal Square site (corner of Granby Street and City Hall Avenue) to be completed in early 2007. The new, twenty-story mixed-use tower will have retail on the first floor, integral parking, and offices to house the region's entire Trader electronic media operations including the Trader Online offices currently located at Convergence Center in Virginia Beach.

Unlike the suburban market, contiguous space opportunities abound in Downtown Norfolk, with alternatives at several price points ranging from the mid-teens to lower twenties. Expect to see the remaining spaces absorbed during 2005 and 2006 as downtown pricing will compare favorably against other locations throughout the region.

The distribution of properties included in the Downtown Norfolk submarket is as follows:

	Net Leasable Area	Percentage of Downtown Norfolk Inventory
Class A Multi-Tenant	1,690,129	41.4%
Class B Multi-Tenant	1,648,361	40.4%
Class C Multi-Tenant	96,552	2.4%
Subtotal Multi-Tenant	3,435,042	84.1%
Owner Occupied	649,950	15.9%
Total	4,084,992	100.0%

Average Downtown Norfolk rents and vacancies by building class January 2003, 2004 and 2005 are as follows:

	2003		2004		2005	
	AVG. RENT	% VACANT	AVG. RENT	% VACANT	AVG. RENT	% VACANT
Class A	\$20.31	13.5%	\$20.31	13.2%	\$20.33	12.7%
Class B	\$15.88	14.4%	\$15.95	15.4%	\$14.72	19.9%
Class C	\$11.32	52.3%	\$12.40	41.5%	\$11.40	0.0%
Total	\$17.90	15.7%	\$17.90	15.5%	\$17.38	15.8%
A & B Only	\$18.08	13.9%	\$18.16	14.3%	\$17.56	16.2%



OFFICE SUBMARKETS



Southside

Airport/Norhampton
 Chesapeake/Greenbrier
 Downtown Norfolk
 Central Norfolk
 Hilltop/Oceanfront
 Corporate Landing
 Kempsville
 Little Neck
 Lynnhaven
 Military Circle
 Newtown/Witchduck
 N. Suffolk
 Pembroke
 Portsmouth

Peninsula

Downtown Hampton
 Hampton Roads Center
 Coliseum Central
 Downtown Newport News
 Newmarket
 Oyster Point
 Suburban Newport News
 Williamsburg/James City Co./
 York County

SOUTHSIDE SUBMARKETS

TABLE II

SOUTHSIDE MULTI-TENANT SUBMARKET SURVEY – CLASS A & B									
Submarket	JANUARY 2003			JANUARY 2004			JANUARY 2005		
	NLA	% VAC	AVG. RENT	NLA	% VAC	AVG. RENT	NLA	% VAC	AVG. RENT
Airport/Northampton	298,287	17.4%	\$15.92	298,287	3.4%	\$15.96	298,287	17.6%	\$16.19
Central Norfolk	875,352	10.0%	\$12.69	875,352	14.2%	\$12.96	875,352	10.2%	\$13.09
Chesapeake/Greenbrier	2,793,412	14.4%	\$14.61	2,806,412	9.8%	\$15.83	2,806,412	7.7%	\$15.06
Corporate Landing	69,756	11.2%	\$14.85	69,756	11.2%	\$15.13	69,756	0.0%	\$12.93
Hilltop/Oceanfront	436,636	7.6%	\$16.18	436,636	7.6%	\$17.12	436,636	1.5%	\$15.94
Kempsville	442,000	15.5%	\$14.39	442,000	12.0%	\$15.05	442,000	11.8%	\$13.91
Little Neck	435,403	9.2%	\$14.44	473,403	7.7%	\$14.19	473,986	14.9%	\$13.64
Lynnhaven	1,761,571	15.8%	\$15.31	1,761,571	15.7%	\$15.31	1,761,571	7.5%	\$15.49
Military Circle	270,868	8.3%	\$15.70	270,868	4.9%	\$15.93	270,868	1.5%	\$16.23
Newtown/Witchduck	1,839,747	11.3%	\$15.34	1,863,747	8.8%	\$15.35	1,987,747	7.1%	\$16.33
N. Suffolk	559,665	5.0%	\$13.19	559,665	5.0%	\$13.33	679,905	8.9%	\$13.95
Pembroke	1,946,825	13.6%	\$17.37	1,996,825	11.8%	\$17.44	2,125,040	10.8%	\$17.54
Portsmouth	457,244	13.5%	\$13.53	457,244	13.5%	\$13.20	457,244	11.7%	\$14.60
Total	12,186,766	12.8%	\$15.13	12,311,766	10.8%	\$15.14	12,684,804	8.7%	\$15.49

TABLE III

SOUTHSIDE MULTI-TENANT SUBMARKET SUMMARY 2005 BY CLASS									
Submarket	CLASS A			CLASS B			CLASS C		
	NLA	% VAC	AVG. RENT	NLA	% VAC	AVG. RENT	NLA	% VAC	AVG. RENT
Airport/Northampton	176,000	11.15%	\$17.75	122,287	26.99%	\$13.94	22,020	0.00%	\$11.00
Central Norfolk	-	-	-	875,352	10.23%	\$13.09	109,151	6.05%	\$11.72
Chesapeake/Greenbrier	820,878	8.25%	\$17.00	1,985,534	7.48%	\$14.26	42,423	0.00%	\$11.50
Hilltop/Oceanfront	132,677	0.00%	\$21.37	303,959	2.11%	\$13.56	10,360	0.00%	\$9.00
Corporate Landing	-	-	-	69,756	0.00%	\$12.93	-	-	-
Kempsville	122,000	0.00%	\$16.50	320,000	16.34%	\$12.92	-	-	-
Lynnhaven	866,230	6.85%	\$17.17	895,341	8.16%	\$13.87	-	-	-
Little Neck	-	-	-	473,986	14.95%	\$13.75	28,280	8.60%	\$11.76
Military Circle	70,000	0.00%	\$17.00	200,868	1.99%	\$15.96	66,129	26.63%	\$11.78
Newtown/Witchduck	966,694	4.42%	\$17.85	1,003,053	9.76%	\$14.69	18,000	0.00%	\$10.00
N. Suffolk	328,365	0.00%	\$11.00	351,540	17.28%	\$16.70	-	-	-
Pembroke/CBD	920,975	9.66%	\$21.33	1,204,065	11.76%	\$14.65	35,592	0.00%	\$10.33
Portsmouth	88,327	0.00%	\$16.10	368,917	14.51%	\$14.24	20,340	0.00%	\$11.00
Total	4,257,931	7.9%	\$17.46	8,053,835	12.3%	\$13.92	352,295	14.7%	\$10.72

PENINSULA MARKET

TABLE IV

PENINSULA MULT-TENANT NLA BY CLASS		
	Net Leasable Area (sq. ft.)	% of Peninsula inventory
Class A Multi-Tenant	2,228,843	35.4%
Class B Multi-Tenant	3,302,211	52.5%
Class C Multi-Tenant	326,615	5.2%
Subtotal Multi-Tenant	5,857,669	93.1%
Owner Occupied	432,800	6.9%
Total	6,290,469	100%

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

	2003		2004		2005	
	AVG RENT	% VACANT	AVG RENT	% VACANT	AVG RENT	% VACANT
Class A	\$17.30	12.5%	\$17.09	14.3%	\$17.73	5.1%
Class B	\$12.80	18.7%	\$13.23	18.2%	\$12.69	12.9%
Class C	\$11.60	18.4%	\$11.77	16.9%	\$11.22	12.1%
Total	\$14.28	16.9%	\$14.68	16.7%	\$14.52	9.9%
A & B Only	\$14.45	16.5%	\$14.83	16.7%	\$14.72	9.8%

PENINSULA SUBMARKETS

The total office inventory on the Virginia Peninsula for Class A & B multi-tenant space is approximately 5.4 million square feet with an overall vacancy of 10.8% compared to 17% at the end of 2003. Oyster Point and Hampton Roads Center continue to be the primary submarkets on the Peninsula accounting for 74% of all Class A space and 45% of all Class B space. Oyster Point remains the largest submarket on the Peninsula containing 2,454,584 square feet of class A & B office space. The second largest submarket is Hampton Roads Center, which contains 730,829 square feet of class A & B office space. Combined these two submarkets possess 3,185,413 square feet or 58% of the total office inventory for Classes A and B.

The balance of 2,214,587 square feet is divided among seven other submarkets stretching from Downtown Hampton to Williamsburg/James City County.

Oyster Point saw the Class A vacancy rate decrease from 15.8% to 4.7% during 2004 on a base of 1,271,602 square feet. Oyster Point led the Peninsula in absorption with 255,000 square feet of Class A & B space being absorbed. The absorption figure represents typical leasing of available space but more importantly 124,000 square feet of this absorption was attributable to Ferguson Enterprises occupying an additional 44,000 square feet, Symantec expanding by 30,000 square feet and 50,000 square feet being taken down by Langley Federal Credit Union. Absorption of Class B space in Oyster Point was impressive at 44,231 square feet on a base of 1,182,982 square feet. The most notable activity in Oyster Point in 2004 was that Langley Federal Credit Union purchased a pad site and delivered an 80,000 square foot headquarters facility. The facility is 96% leased at rents in the \$19.50 per square foot range.

Hampton Roads Center had positive absorption of 26,803 square feet of class A office space on a base of 378,722 square feet in contrast to 6,963 square feet of negative absorption in 2003. Vacancy rates for Class A fell from 9.4% in 2003 to 2.4% 2004. Class B has maintained a vacancy of 22% - 24% over the past four years but dropped to below 15% in 2004. The notable vacancies in the Hampton Roads Center submarket are 15,218 square feet located in Hampton II and the NDS shell building that contains 35,000 square feet.

The major new construction projects in the pipeline for 2005 are One City Centre in Oyster Point, a five-story, 100,000 square foot (80/20) office/retail building and the construction of the Marriott Hotel and Conference Center also in Oyster Point. Lastly, Craig Davis Properties is constructing and will deliver a 60,000 square foot Class A building in Hampton Roads Center North in 2005.

In 2005 we will see rental rates rise in Oyster Point due to the lack of available space and tenant improvement packages edge down as market conditions tighten. Hampton Roads Center will see more competitive rates as existing buildings house larger vacancies.

TABLE V

PENINSULA MULTI-TENANT SUBMARKET SURVEY – CLASS A & B									
Submarket	JANUARY 2003			JANUARY 2004			JANUARY 2005		
	NLA	% VAC	AVG. RENT	NLA	% VAC	AVG. RENT	NLA	% VAC	AVG. RENT
Coliseum Central	515,676	7.0%	\$13.20	515,676	7.3%	\$13.79	515,676	5.6%	\$12.28
Downtown Hampton	223,196	17.8%	\$15.58	206,593	190%	\$14.07	206,593	13.4%	\$15.62
Downtown Newport News	153,442	15.5%	\$12.67	153,442	9.8%	\$13.25	153,442	2.7%	\$14.00
Hampton Roads Center	854,829	15.9%	\$15.54	730,829	16.1%	\$15.70	730,829	8.3%	\$15.77
Newmarket	699,262	35.1%	\$13.86	670,433	36.7%	\$13.00	670,433	26.0%	\$13.35
Oyster Point	1,995,324	14.8%	\$14.98	2,219,954	16.1%	\$15.02	2,454,584	7.7%	\$15.48
Suburban Newport News	236,276	.44%	\$12.58	236,276	5.5%	\$12.25	236,276	0.0%	\$11.28
Williamsburg/ James City County/ York County	493,721	15.6%	\$14.94	563,721	10.0%	\$15.14	563,221	9.7%	\$15.17
Total	5,171,726	16.6%	\$14.45	5,228,392	16.4%	\$14.83	5,531,054	9.8%	\$14.72

TABLE VI

PENINSULA MULTI-TENANT SUBMARKET SUMMARY 2005 BY CLASS									
PENINSULA - By Class	CLASS A			CLASS B			CLASS C		
	NLA	% VAC	AVG. RENT	NLA	% VAC	AVG. RENT	NLA	% VAC	AVG. RENT
Coliseum Central	211,664	6.20%	\$16.32	304,012	5.26%	\$9.47	-	-	-
Downtown Hampton	158,855	11.96%	\$17.00	47,738	18.11%	\$11.05	12,132	0.00%	\$10.00
Downtown Newport News	-	-	-	153,442	2.70%	\$14.00	-	-	-
Hampton Roads Center	378,722	2.35%	\$16.89	352,107	14.67%	\$14.56	35,833	80.34%	\$10.82
Newmarket	-	-	-	670,433	25.98%	\$13.35	150,000	6.67%	\$13.50
Oyster Point	1,271,602	4.07%	\$18.34	1,182,982	11.69%	\$12.41	80,650	0.69%	\$9.59
Suburban Newport News	-	-	-	236,276	0.00%	\$11.28	48,000	0.00%	\$7.43
Williamsburg/ James City/ York County	208,000	10.31%	\$17.50	355,221	9.36%	\$13.81	-	-	-
Totals	2,228,843	5.13%	\$17.73	3,302,211	12.91%	\$12.69	326,615	12.05%	\$11.22

REPRESENTATIVE 2004 SALES TRANSACTIONS

Several very significant transactions occurred in 2004 after a relatively quiet year in 2003. Sale prices per square foot continue to increase as a reflection of improving market fundamentals and limited supply of available product.

TABLE VII

CLASS A TRANSFERS				
Property	Size Net Rentable Sq. Ft.	Occupancy at Sale	Purchase Price	Price Per Net Rentable Sq. Ft.
Patrick Henry Corporate Center	102,000	92%	\$10,750,000	\$105.39
1435 Crossways Boulevard (Former A/H Headquarters)	51,850	91%	\$5,455,000	\$105.21
Independence Tech Center I	98,000	100%	\$11,110,000	\$113.37
500 Independence Parkway (Battlefield Tech Center)	51,000	100%	\$5,782,000	\$113.37
Dominion Tower	403,276	86%	\$53,300,000	\$132.17
Oceana Place	75,369	90%	\$6,750,000	\$89.56

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

Buildings NLA in S.F.

DOWNTOWN NORFOLK

CLASS A

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

CLASS B

100 East Main Street	20,000
101 Granby Street	22,000
201 Granby Mall Building	76,071
500 East Main Street (New BB&T)	230,000
500 Plume Street	60,000
Anders Williams Building	14,000
Bank of America	339,892
Former BB&T Building (109 E. Main St.)	52,698
City Centre	54,138
Duke Grace Building	26,417
First Virginia Tower	111,600
Ghent-Olney Building	24,000
Historic Freemason Building	11,000
Lonsdale Building	18,000
Monticello Arcade	44,500
Monticello Office Building	70,000
Plume Center West	82,375
Rotunda Building	65,100
Seaboard Center	30,000
Selden Arcade*	60,726
St. Paul Building	42,300
Tazewell Building	38,000
The Virginia Building	20,100
Wainwright Building	83,151
York Street Center	52,293

CLASS C

220 West Freemason Street	10,775
255 Granby Street	30,000
700 Monticello Avenue	22,760
Former Home Savings Bank Bldg	16,825
Norfolk Community Services	16,192

OWNER OCCUPIED

AAA Headquarters	10,000
AT&T	200,000
Atlantic Building	14,000
Decker Building	10,000
Landmark Communications	66,500
Norfolk Telcom Center	60,000
Peta	25,000
Standard Forms	30,000
Two Commercial Place	234,450

AIRPORT/NORTHAMPTON

CLASS A

Twin Oaks I	88,000
Twin Oaks II	88,000

CLASS B

Airport Executive Center	70,609
HRSA-ILA Bldg (Longshoremen's)	21,678
NorthamptonNorthampton Executive Center	30,000

CLASS C

Electrical Workers Corporation Office	22,020
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OWNER OCCUPIED

USAA Building	325,000
TWA Reservation Center	40,000
Zim-American Israeli Shipping	30,000

CENTRAL NORFOLK

CLASS B

Almeda Business Center (flex)	84,000
Commerce Park Place (flex)	58,783
Gateway II (flex)	45,000
Lafayette Executive Center	18,641
Lawson Building	20,022
Norfolk Business Center (flex)	89,000
Norfolk Business Center II (flex)	126,926
Norfolk Commerce Center I (flex)	73,000
Norfolk Commerce Center III (flex)	168,000
Norfolk Commerce Center IV (flex)	79,980
Norfolk Commerce Center V (flex)	72,000
Norfolk Commerce Park Office Building	40,000

CLASS C

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

OWNER OCCUPIED

American Funds Building	107,000
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CHESAPEAKE/GREENBRIER

CLASS A

1580 Crossways Blvd.	10,800
Armada Hoffer Corporate Headquarters	52,702
CHKD Health Center (Volvo Park VI)	25,000
Chubb Building	97,500
Dendrite One	50,000
Dendrite Two	50,000
Greenbrier Tower I	87,900
Greenbrier Tower II	86,976
Lake Center I	60,000
Lake Center II	64,000

Liberty One	50,000
One Greenbrier Point (Oracle)	75,000
Towers Perrin II	111,000

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 (MC)	86,000
Branch Executive Quarter-Hamilton	11,600
Branch Executive Quarter- Jefferson	23,838
Branch Executive Quarter- Madison	16,788
Chelsea Commons WCMB	12,400
Crossways Commerce Center II	145,300
Crossways I	137,007
Crossways II (flex)	84,751
Crossways III	61,992
Eden North Center	18,700
Greenbrier Business Center	50,000
Greenbrier Business Centre (flex)	91,561
Greenbrier Circle Corporate Center	233,138
Greenbrier I & II	58,276
Greenbrier Square	26,250
Greenbrier Tech Center One (flex)	95,414
Greenbrier Tech Center Two (Flex)	82,340
Heritage Bank Building	12,654
Independence Technology Center I	98,000
Knells Ridge Plaza	15,500
Knells Ridge Square	30,000
Old Greenbrier Village	34,015
Riverwalk Professional Bldg	10,000
Rose and Womble Business Center	13,432
SunTrust Bank Building	33,500
Volvo Expressway	36,000
Volvo Park	52,000
Volvo VII	13,000
Woodbrier Terrace	10,000

CLASS C

2125 Smith Avenue	42,423
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OWNER OCCUPIED

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

HILLTOP/OCEANFRONT

CLASS A

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

CLASS B

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

CLASS C

Oceana East	10,360
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CORPORATE LANDING

CLASS B

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

OWNER OCCUPIED

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

KEMPSVILLE

CLASS A

Chadwick Building	80,000
Grayson Building	42,000

CLASS B

1201 Lake James Office	12,000
3386 Holland Road	20,000
Arrowhead Office Court	10,000
Atrium of College Park Square	36,379
Central Park I	18,000
Central Park II	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
Providence South Office Park	12,000
Woolpert Building	36,700

LYNNHAVEN

CLASS A

Lynnhaven Commons Complex	25,000
Lynnhaven Commons (office bldg)	26,000
Lynnwood Plaza	87,157
Marsh Landing	62,117
Oceana Center One	39,928
Oceana Place	76,000

Park West	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

596 Lynnhaven Pkwy	31,910
Advanced Technology Building	32,000
Basgier Bldg. I	18,200
Basgier Bldg. II	20,000
Bennet Office Building	10,522
Commercial Place	36,400
Lynnhaven Corporate Center I	36,046
Lynnhaven Corporate Center II	40,300
Lynnhaven Corporate Center III	53,000
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
Princess Anne Bank Building	18,000
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	30,529

OWNER OCCUPIED

Cenit Bank Bldg	40,000
Eastern	32,000
Global Technical Systems	46,000
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
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	51,385
Rosemont Interstate Center III	38,000
Sun Building	11,600
Transouth Building	12,500

CLASS C

Birchwood Office Park	11,688
Byler Building	16,592

OWNER OCCUPIED

TAF Group	24,000
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MILITARY CIRCLE

CLASS A

Riverside Commerce Center	70,000
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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

Riverside Corporate Center	86,682
Sentara	45,000
Virginia Natural Gas Campus	75,403

NEWTOWN/WITCHDUCK

CLASS A

AAA Headquarters	54,000
Amelia Building	71,000
Amerigroup Building**	106,000
BB&T Building	30,000
Expressway Corporate Center	85,658
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
232 Business Park Drive	14,000
396 Witchduck Road	12,000
6330 Newtown Road	55,181
American Teleservices Building	12,232
Amerigroup Corp.	18,000
Azalea Village	20,000
BCF Building	24,000
BPC Building	29,074
Colonial Corporate Center	41,772
Commerce Centre	35,500
Commonwealth Building	10,000
Executive Cove	61,000
Hampton Roads Realtors Association	27,784
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

209 Business Park Drive.....	11,250
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**

Convergence Center.....	80,000
Convergence Center II.....	85,000
Five Columbus Center.....	20,000
One Columbus Center.....	134,000
Pembroke Commercial Bldg.....	70,760
Six Columbus Center.....	36,000
Southport Center.....	65,000
Town Center.....	256,900
Resource Bank Plaza**.....	90,315
Ticketmaster**.....	30,000
Town Center North Tower.....	53,000

CLASS B

4224 Holland Road.....	10,104
4701 Columbus.....	32,000
Corporate Center I.....	51,000
Corporate Center II.....	52,475
Corporate Center III.....	51,000
Corporate Center IV.....	76,012
Dragas Office Park.....	30,896
Haygood Executive Park.....	36,472
Holland Commerce Center.....	30,000
Holland Office Park.....	32,000
Holland Plaza Office Building.....	14,513
Huff, Poole, Mahoney Building.....	33,000
Independence Business Center.....	62,000
Independent Technology Center.....	50,000
Independent Plaza.....	36,655
Larkspur Village.....	16,184
Old Donation Executive Park.....	20,347
Pembroke Office Park.....	294,000
Pocahontas Center.....	17,800
Prisms Plaza.....	32,000
South Trust Bank Building.....	40,000
Southgate Centre.....	43,200
Southport Business Center (flex).....	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

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

OWNER OCCUPIED

Alantec Financial Fed Credit Union.....	12,000
AVIS.....	168,000

Coastal Training Technologies.....	60,000
Commonwealth College.....	30,000
Electronic Systems Building.....	10,000
ISC.....	40,000
QED Building.....	30,000
REIN Building.....	24,500

PORTSMOUTH**CLASS A**

BB&T Building.....	35,327
Harbourfront Corporate Center.....	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
First Union Bank Building.....	34,000
JJH Building.....	17,563
New Kim Building.....	22,318
Port Trade Center.....	14,223
PortCentre I (flex).....	100,000
Wachovia Bank.....	48,000

CLASS C

Crawford Executive Center.....	20,340
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SUFFOLK**CLASS A**

JTASC Building.....	328,365
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CLASS B

Bridgeway Technology Center I.....	125,000
Bridgeway Technology Center II**.....	67,500
Brinkley Building.....	20,500
Lake View Technology Center One.....	112,740
Main Street Center.....	13,800
Washington Street Center.....	12,000

OWNER OCCUPIED

Towne Bank Center.....	50,000
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DOWNTOWN HAMPTON**CLASS A**

Harbour Centre.....	158,855
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CLASS B

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

CLASS C

55 W. Queens Way.....	12,132
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DOWNTOWN NEWPORT NEWS**CLASS B**

2600 Building.....	135,596
Wachovia Bank Building.....	17,846

OWNER OCCUPIED

Newport News Shipbuilding, Bldg 520-521.....	50,000
-------------------------------------------------	--------

HAMPTON ROADS CENTER**CLASS A**

6 Manhattan Square.....	30,106
Allstate Building.....	17,000
Anthem Alliance.....	60,482
Lakefront Plaza I.....	77,442
Morgan Marrow Building.....	12,000
NCO Financial Building.....	45,000
Olympia Place.....	72,395
Oxford Plaza.....	64,297

CLASS B

Hampton I.....	68,532
Hampton II.....	67,000
Hampton III.....	45,000
Hampton Technology Center I.....	56,575
NDS Building.....	35,000
Raytheon.....	50,000
Research Office Building.....	30,000

CLASS C

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

COLISEUM CENTRAL**CLASS A**

Executive Tower.....	134,164
Pinewood Plaza.....	77,500

CLASS B

2310 Tower Place.....	10,500
Colony Square of Hampton.....	30,050
NationsBank Building.....	14,434
Riverdale Complex.....	168,000
Sheraton Office Bldg.....	12,673
Todds Lane Professional Center.....	12,500
West Telemarketing.....	55,855

OWNER OCCUPIED

Langley Federal Credit Union.....	72,800
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NEWMARKET**CLASS B**

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

CLASS C

Rouse Tower.....	150,000
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OWNER OCCUPIED

NN Shipbuilding Employee Credit Union.....	15,000
-----------------------------------------------	--------

OYSTER POINT**CLASS A**

601 Thimble Shoals Boulevard.....	30,000
Atrium At Oyster Point.....	62,971

Cedar One.....	15,467
Contemporary Cybernetics	60,000
Ferguson Corporate Center II	150,000
First Union Centre.....	51,982
Fountain Plaza One	100,000
Fountain Plaza Two**.....	80,000
Fountain Plaza Three**.....	80,000
TowneBank Centre.....	60,000
One Oyster Point	36,226
Oyster Point Interstate Center	64,000
Patrick Henry Corporate Center.....	102,000
Peninsula Professional Building	30,800
Rock Landing Corporate Center II.....	33,476
SunTrust Building.....	100,955
Syantec Corp. Building.....	100,000
Tower Park	31,667
Two Oyster Point.....	39,137
Wachovia Building	42,921

CLASS B

11790 Jefferson Avenue.....	20,662
745 Bluecrab (flex).....	16,000
BB&T Plaza.....	37,348
Cale Colony 17	17,871
Canon Place.....	26,000
Comb-Bay Park	32,000
Dunwoody Place	19,798
Executive Center	95,399
Fishing Point Complex (flex).....	50,000
International Distribution Center.....	36,000
McCale Professional Park.....	40,000
Middle Ground Business Center.....	62,000
Oyster Point Business Center.....	25,000
Oyster Point Center	44,000
Oyster Point Place (flex).....	38,000
Oyster Point West.....	176,560
Park Central Executive Center	54,425
Park Place (751 & 753	

Thimble Shoals).....	25,000
Peninsula Business Center I (flex).....	21,817
Peninsula Business Centre II (flex)	40,475
Peninsula Business Centre III (flex)	60,000
Riverside Offices	47,000
Rock Landing Corporate Center IV.....	18,125
Rock Landing Corporate Center V	18,125
Technology Center (flex)	81,000
Thimble Shoals Business Center (flex)	55,377
Thimble Shores Lakefront	25,000

CLASS C

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

OWNER OCCUPIED

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

SUBURBAN NEWPORT NEWS

CLASS B

Bay Savings Bank Building.....	18,000
Colony Square of Denbigh II	26,100
Denbigh Professional Park	40,598
Ferguson Enterprises	75,800
MCI Building.....	60,000

Tidewater Tech	15,778
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CLASS C

Mariner Building.....	26,000
Teagle Building	22,000

OWNER OCCUPIED

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

CLASS A

Atrium Building	24,000
Casey New Town - SunTrust.....	60,000
Courthouse Green Office Park.....	30,000
Courthouse Green Office Park II.....	10,000
First Union Center.....	32,000
Langley Federal Credit Union	20,000
Williamsburg Commerce Center	32,000

CLASS B

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

* Building removed from 2005 survey

** Building added to 2005 survey



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Acknowledgements

Author:

Bea Hopkins
Director
Residential DataBank

Data Analysis/Layout:

Bea Hopkins
Residential DataBank

Blair Hardesty
Residential DataBank

Financial Support: The Old Dominion University Center for Real Estate and Economic Development (CREED) reports are funded by donations from individuals, organizations and the CREED Advisory Board.

Disclosure: Data collection from January 2004 –November 2004

THE YEAR IN REVIEW

At the time of this publishing, December 2004 closings had not been completely recorded and counted. However, the Hampton Roads New Construction Housing Market was ahead of the entire year of 2003 by 2.8% with closings tallied from January through November for a total of 4,980 versus January through December 2003 when a total of 4,843 were recorded. The comparison of January through November for 2004 versus January through November 2003 shows a strong increase in closing numbers of 13.7%. When the final numbers are in, closings should reach at least 5,400 for the year.

During 2004, housing permits reached a grand total of 6,779 through November for an increase of 9.8% over the same time last year. Townhome permits grew by the largest percent with an increase of 161.1%. There were a total of 530 issued versus 203 one year ago.

Condominium permits also has a very substantial increase of 48.9% over last year with a total of 1,467 issued. The single-family detached home sector declined slightly with a loss of 4.1% with 4,782 housing starts versus 4,986 through November.

Permit activity on the Southside increased by 2.7% with 4,476 housing starts, and through November, closings have increased by 20.5% with a total of 3,582. On the Peninsula, permits increased 27.0% with a total of 2,303, but closings are down through November with 1,398 for a loss of 0.6%.

TABLE I

PERMIT & CLOSING ACTIVITY FROM JANUARY THROUGH NOVEMBER 2003 AND 2004						
All Product Types	2003 Permits	2004 Permits	% Difference	2003 Closings	2004 Closings	% Difference
Virginia Beach	1705	1277	-25.1%	1253	1372	9.5%
Chesapeake	1021	1279	25.3%	609	1116	83.3%
Suffolk	770	753	-2.2%	658	554	-15.8%
Portsmouth	114	143	25.4%	77	62	-19.5%
Norfolk	356	542	52.2%	226	249	10.2%
Isle of Wight Co.	323	364	12.7%	141	209	48.2%
Franklin/So. Hampton	71	118	66.2%	9	20	122.2%
Hampton	162	273	68.5%	140	172	22.9%
Newport News	269	332	23.4%	215	200	-7.0%
James City Co.	932	1183	26.9%	702	731	4.1%
York County	451	515	14.2%	350	295	-15.7%
TOTALS	6,174	6,779	9.8%	4,380	4,980	13.7%

AVERAGE PRICES

Not only has the Hampton Roads area experienced another strong year for residential new construction, but the area is also experiencing record high average prices for all types of housing units. In the entire area, the overall average for new construction housing is now \$292,080, up 20.8% from November 2003. New single-family detached homes have a current average sales price in Hampton Roads of \$311,295. This figure represents an increase of 22.5% over the average one year ago. New condominiums now average \$238,040, up 14.6%, and the average price for a townhome is now \$262,198, an increase of 38.7%.

The individual area in Hampton Roads with the highest average price for single-family homes is Virginia Beach where the average is currently \$362,564, a jump of 23.3% over last year. The highest average for condominiums is found in Norfolk with a price of \$318,209, up 5.3%, while the highest average price for a townhome is found in Suffolk at \$278,973.

The top 10 most active subdivisions for permits during the year, listed in Table 2., are divided between the Southside and the Peninsula. These few subdivisions represent 18% of all permit activity for the year through November.

January Through November	
2003	2004
Permits 6,174	Permits 6,779
January Through November	
2003	2004
Closings 4,380	Closings 4,980

TABLE II

TOP 10 SUBDIVISIONS BY PERMITS THROUGH NOVEMBER	
S Harbour View	273
NN Port Warwick	217
V Towne Square	176
I Eagle Harbor	174
J Fords Colony	159
V West Neck Village	134
C River Breeze	112
J Stonehouse	102
J Colonial Heritage	91
C Providence Pointe	90

INDIVIDUAL MARKET SEGMENTS

Single-family detached homes are still the most popular form of new construction housing in Hampton Roads with 4,782 building permits issued as of November and 3,622 closings recorded. This type of unit holds a 70% share of the new construction market, down from 81% last year. The lost market share for single-family detached homes has been transferred to the condominium and townhome markets where both types of units are registering market share gains in permitted units.

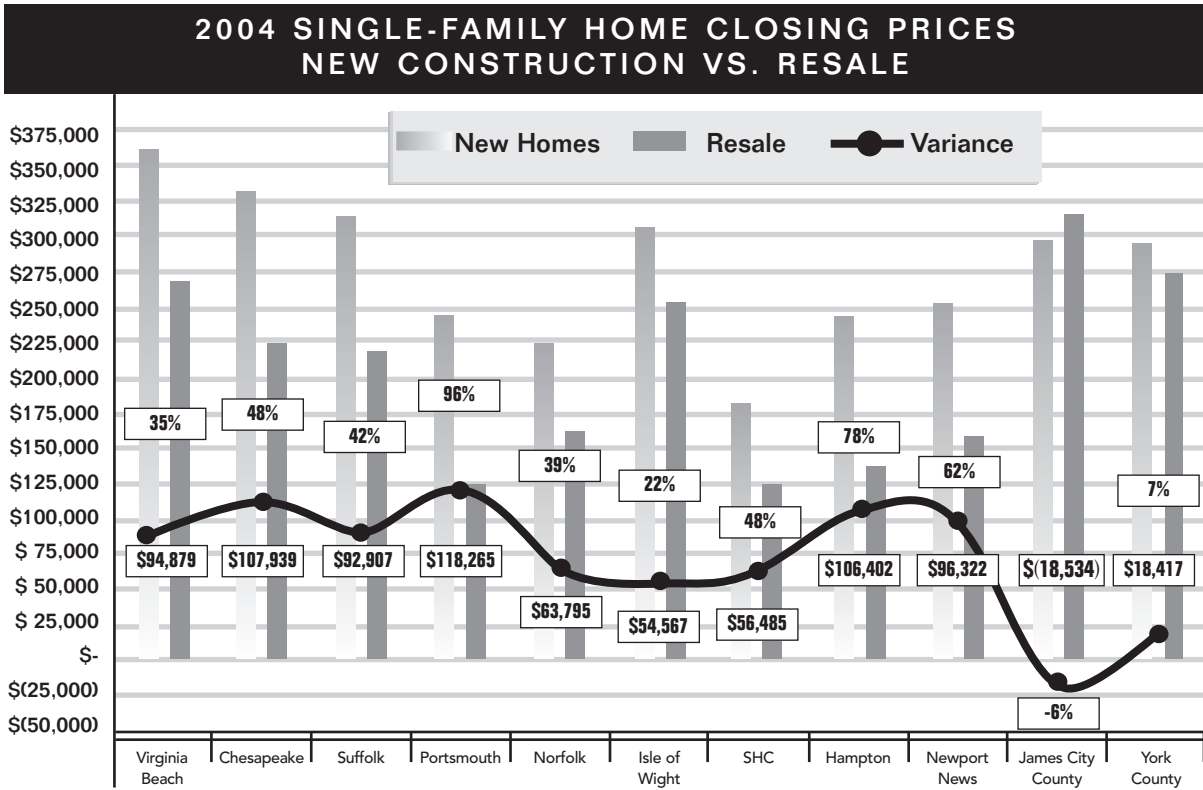
The production and price of a new construction unit is directly related to the cost of land, by public infrastructure requirements, and by impact, permit, and other fees to local governments. Average home prices have increased in all areas anywhere from 9.8% in Southampton County up to 45.4% in Newport News. Seventy-three percent of the cities in Hampton Roads have an average price for new single-family detached homes above the \$250,000 price point and even with today's positive housing market conditions, the units are priced beyond the means of moderate income households. Chart 1. shows the individual area prices.

The Condominium market is booming. Through November, permits are outpacing the entire year of 2003 by 6.4% with 1,467 issued. This also represents an increase of 56.0% over the year of 2002. The cities or counties issuing the highest number of permits are Virginia Beach with 517, Chesapeake with 327, Suffolk with 199, and Isle of Wight County with 108. Closings for condominiums have also increased over last year with 1,197 recorded through November versus 985 for the entire year of 2003, an increase of 21.2% thus far. Areas experiencing strong closing activity are Virginia Beach with 680, Chesapeake with 139, Suffolk with 131, and James City County with 98. The average closing price for a condominium increased in all areas except Newport News. The Hampton Roads average is now \$238,040, up from \$207,728 for an increase of 14.6%. Condominiums hold a 22.0% share of all permits and a 24.0% share of all closings.

The number of Townhome permits issued during 2003 was 331. At the end of November 2004, the total number of permitted units was 530 for an increase of 161.1%. A great deal of activity has occurred in Norfolk (150 permits), James City County (119 permits), and Newport News (100 permits). Townhome permits now hold an 8.0% share of the market versus 3.0% one year ago.

Closings for townhome units are down from 220 last year to 161 this year for a loss of 26.8%. This will even out in 2005 when units now under construction are sold and closed. Townhomes in Suffolk have the highest average price at \$278,973, an increase of 55.7%. This is followed by James City County with an average of \$270,337, up 26.6%. The average in Virginia Beach is \$249,746 and in Chesapeake it is \$233,087.

CHART 1



THE RESALE MARKET

Total existing home closings through November reached 21,045 for a 9.9% increase over the same time last year, as reported by REIN (the Real Estate Information Network). The Southside resale market ended November with a total of 15,909 closings for an increase of 9.5% and the Peninsula market had a total of 5,136 closings for an increase of 11.2%.

For sheer volume, Virginia Beach closed the largest number of existing home sales with 7,161 (up 5.6%), but Norfolk experienced the largest gain percentage wise with 2,802 closings versus 2,360 for an increase of 18.7%. Norfolk also had the highest percent increase in price with a gain of 25.4%. The new average is \$166,254. In the city of Chesapeake there were 3,074 closings (up 12.8%) making this the second busiest area for resale closings.

The area with the highest average price for existing homes was James City County with an overall average of \$291,038 up 23.1%. That was followed by York County with an average of \$250,986 for a gain of 16.6%. In fact, 10 out of 11 areas in Hampton Roads experienced double digit percent increases in price over the year 2003. Chart 2. lists the price increase for the combined average price of all types of existing homes (single-family, condominium, and townhouse) for each area in Hampton Roads and the chart also shows the percent increase over last year.

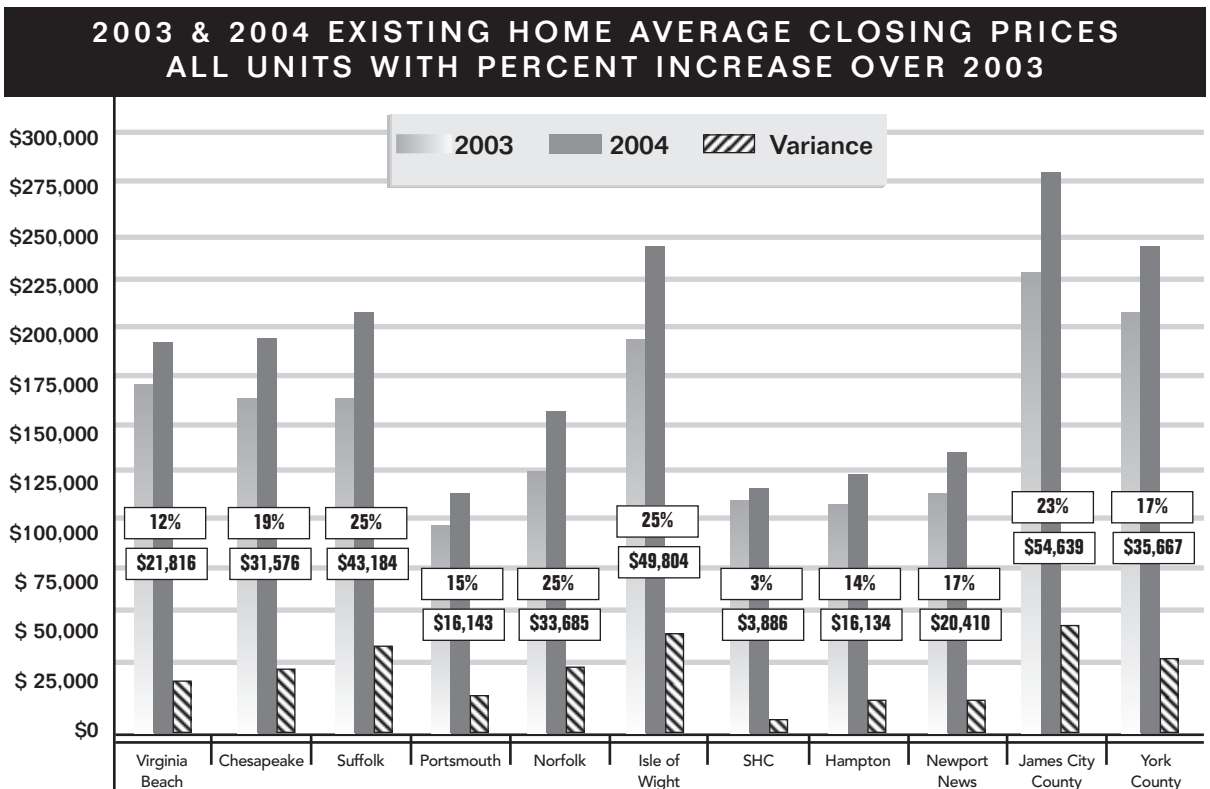
THE TOTAL MARKET NUMBERS

The grand total for the year for new construction and existing home sales through November is 26,025 representing an increase of 10.6% over the same time in 2003. New construction holds a 19% share of the market compared to existing home sales with an 81% share of the market.

The combined total for new construction and resale closings for the Southside is 19,491, up 11.4% from 2003. The Peninsula figures increased by 8.5% during the same time with a total of 6,534 closings.

The dollar volume of the 26,025 closed home sales for the Hampton Roads housing market from January through November 2004 is \$5,441,903,314, up 33.8% from the comparable months of 2003. According to the National Home Builders Association, the additional economic activity that results from the ripple effect of the housing industry on all of the additional linked industries will create \$11.6 million in local income per 100 single-family homes, \$1.4 million in taxes and other revenue, and 250 local jobs.

CHART II



Virginia Beach

Virginia Beach was again the most active city in Hampton Roads even though total permit numbers are off by 25.1% (1,277). Single-family detached units are down the most with only 680 housing starts for a loss of 37.5% through November. Condominium units are down by 9.1% with 517 permits issued, but townhome units are up with a total of 80 permits for a gain of 66.7%.

A total of 681 single-family units closed for a loss of 9.8%, 680 condominium units closed for a gain of 52.1%, and 11 townhome units closed for a loss of 78.4%. However, the total number of closings, 1,372, are up 9.5% from year ago numbers. Existing home closings totaled 7,161, up 5.6% from last year.

Chesapeake

New construction permits have increased in this city by 25.3% with a total of 1,279, the most activity for any area. Single-family units are down slightly with 935 compared to 943, condominium units are up by 367.1% with a total of 327 issued compared to 70 last year. For townhomes, 17 permits were issued, double the number for one year ago.

Closings have also grown, up by 83.3% with a total of 1,116. The average price for a single-family home is now \$331,808, an increase of 30.2%. Condominium averages are up to \$180,196 and townhomes average \$233,087.

The resale housing market in Chesapeake shows activity increased by 12.8% with a total of 3,074 closings recorded.

TABLE III

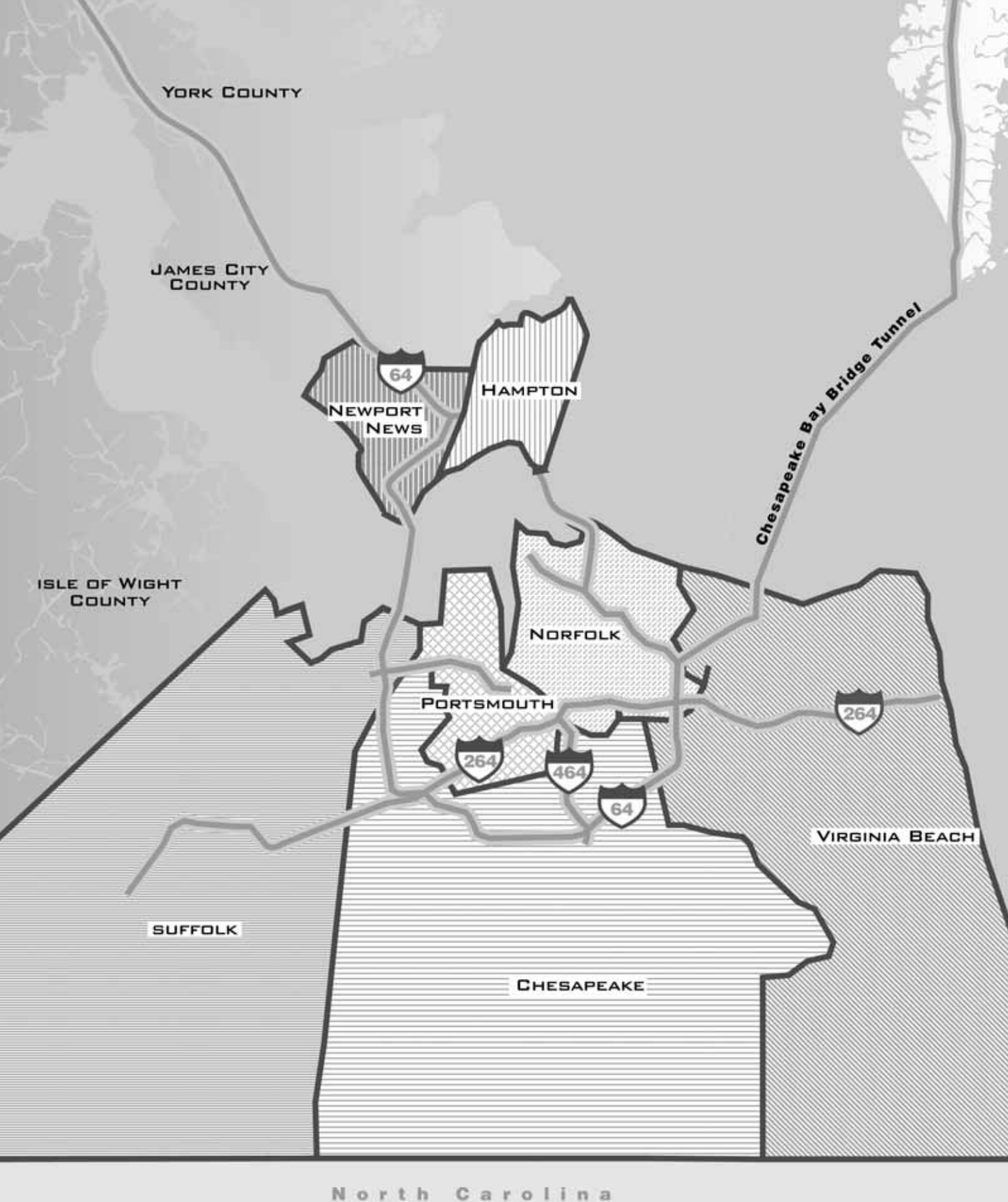
VIRGINIA BEACH TOP 6 SUBDIVISIONS RANKED BY CLOSINGS

Community	# Closed	Average Price
1. Towne Square (SFD 69 CO 217)	286	SF- \$292,309 CO- \$210,041
2. West Neck Village (SF 86 CO 192)	188	SF- \$236,410 CO- \$218,098
3. Tarleton Oaks	97	\$211,850
4. Lago Mar	57	\$553,178
5. Woodbridge Point	55	\$260,488
6. River Oaks	48	\$357,766

TABLE IV

CHESAPEAKE TOP 6 SUBDIVISIONS RANKED BY CLOSINGS

Community	# Closed	Average Price
1. Stratford Terrace/Estates	78	\$349,206
2. River Breeze	77	\$198,259 TH- \$229,219
3. Crestwood Millers Run	71 71	\$201,537 \$318,346
4. Old Woodland Estates	51	\$322,921
5. Greystone	47	\$481,195
6. Etheridge Pines	42	\$340,605



YORK COUNTY

JAMES CITY COUNTY

NEWPORT NEWS

HAMPTON

Chesapeake Bay Bridge Tunnel

ISLE OF WIGHT COUNTY

NORFOLK

PORTSMOUTH

264

264

464

64

VIRGINIA BEACH

SUFFOLK

CHESAPEAKE

North Carolina

RESIDENTIAL SUBMARKETS

Southside

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

Peninsula

Newport News
Hampton
James City County
York County

Suffolk, Portsmouth, Norfolk, Isle of Wight County

A surge of condominium activity was seen in Suffolk with an increase in permit numbers by 73.0% (199 units) and closing numbers increasing by 114.8% (131 units). Overall, permit numbers for the city are down by 2.2% with the biggest loss in single-family homes, down 16.9% with a total of 513 permits issued. Total closings are also down with a loss of 19.5% (554 closings). The average price of new construction increased in the city of Suffolk for all types of units, single-family homes by 28.7%, condominiums by 6.3%, and townhomes by 55.7%.

Portsmouth

Portsmouth issued a total of 143 permits for a gain of 25.4% in activity, while in Norfolk total housing starts grew by 52.2% with 542 permits issued. Isle of Wight County issued a total of 364 permits for an increase of 12.7% and a total of 209 closings were recorded for a gain of 48.2%. Closings in Norfolk increase from 226 to 249, while in Portsmouth, closings dropped from 77 to 62. The resale market in all three areas show gains of 4.4% for Portsmouth, 18.7% for Norfolk, and 17.7% for Isle of Wight County.

TABLE V

CHESAPEAKE TOP 6 SUBDIVISIONS RANKED BY CLOSINGS

Community	# Closed	Average Price
1. Stratford Terrace/Estates	78	\$349,206
2. River Breeze	77	\$198,259 TH- \$229,219
3. Crestwood	71	\$201,537
Millers Run	71	\$318,346
4. Old Woodland Estates	51	\$322,921
5. Greystone	47	\$481,195
6. Etheridge Pines	42	\$340,605

TABLE VI

SUFFOLK, ISLE OF WIGHT, PORTSMOUTH, NORFOLK TOP 6 SUBDIVISIONS RANKED BY CLOSINGS

Community	# Closed	Average Price
1. S Harbour View West (SF 38 CO 98 TH 17)	153	SF \$529,144 CO \$198,196 TH \$278,973
2. I Eagle Harbor (SF 44 CO 51)	95	SF \$284,536 CO \$220,469
3. S Hillpoint Farm (SF 61 CO 33)	94	SF \$331,663 CO \$186,666
4. S Kempton Park	68	\$263,706
5. S Nansemond River Estates	40	\$352,304
6. S Hunt Club Pointe	37	\$234,179

The Peninsula

On the Peninsula, housing starts are up from 1,814 to 2,303 for a gain of 27.0%, but closings are nearly level with last year with 1,398 compared to 1,407. All areas of the Peninsula experienced average price increases with Newport News climbing from \$173,274 to \$252,130 for the largest increase of 45.5%. James City County was the most active area with 1,183 permits issued and 731 closings recorded. The existing home market grew in all areas with Hampton seeing the largest percent gain of 13.4% with 1,835 closings. Newport News recorded the most existing home sales with 2,276 for an increase of 12.0%. As with new construction, all areas of the Peninsula also had increases in the average price of existing homes anywhere from 14.0% in York County up to 24.1% in James City County.

TABLE VII

PENINSULA TOP 6 SUBDIVISIONS RANKED BY CLOSINGS

Community	# Closed	Average Price
1. N Port Warwick SF 57 TH 24	81	SF \$319,985 CO \$198,196 TH \$260,880
2. J Wellington	63	\$323,659
3. Y Creekside J Villages at Powhatan	61	\$197,122 \$225,790
4. J Greensprings West	54	\$338,982
5. H Sinclair Commons	51	\$219,572
6. J Scotts Pond Y Vineyard Heights	50	\$229,585 \$157,875

2005

Economists, not surprisingly, are predicting that long term interest rates are going to rise. This will effect the mortgage industry where the lowest interest rates in a generation have been the driving force in the national housing boom. Fortunately, Hampton Roads has a large number of defense contractors present in the area as well as strong government spending, and that creates a “defense-driven economy” according to Mark Zandi, chief economist of Economy.Com. This will continue to significantly effect the housing market here in terms of population turnover and job stability. Even with an interest rate increase, new residents to the area will continue to purchase homes and keep the market active.

Prices may start to level off for new construction and existing home markets. 2005 will probably see average price increases of 10% in most areas of Hampton Roads instead of the 20.8% increase for new construction and the 20.5% increase in existing home prices experienced this year.

Expect to see a strong housing market repeated in 2005 in Hampton Roads. Interest rates are still the major factor in the existing home market while land costs and environmental and other constraints continue to limit the number of new home communities being developed. With few changes to the local economy being anticipated, housing starts should be level or increase slightly next year while existing home sales may slow down a little with the advent of an increase in interest rates.

Trends in new construction, according to David Seiders of the National Association of Home Builders, are 10 foot ceilings minimum, more storage, walk-in pantries, and outdoor kitchens. Security systems, energy management systems, and lighting control systems will also be more in demand. Seiders believes that we will see more quality features in new homes. Quality rather than size of the home will be important.

TABLE VIII

TOP TWENTY BUILDERS RANKED BY CLOSINGS AND PERMITS

Top 20 Builders		# of Closings	Top 20 Builders		# of Permits
1.	Chesapeake Homes	248	1.	Terry/Peterson Residential	208
2.	Terry/Peterson Residential	183	2.	Chesapeake Homes	195
	Franciscus Company	183	3.	The Franciscus Company	192
3.	Napolitano Enterprises	182	4.	Centex Homes	156
4.	Dragas Associates	171	5.	Atlantic Homes	144
5.	Beco Construction	134	6.	McQ Builders	140
6.	Centex Homes	111	7.	Beco Construction	149
7.	Baymark Construction	102	8.	Dragas Associates	120
	McQ Builders	102		Baymark Construction	120
8.	Hearndon Construction	94	9.	Napolitano Enterprises	119
9.	Wayne Harbin Builder	91	10.	J T M Development	102
10.	Lifestyle Homes	81	11.	Hearndon Construction	98
11.	Bay Reflections Building	75	12.	U S Home Corporation	92
12.	Virginia Enterprises	73	13.	Virginia Enterprises	84
13.	Atlantic Homes	66	14.	Wayne Harbin Builder	83
14.	Pace Construction	65	15.	W M Jordan Company	81
15.	Ashdon Builders	64	16.	Villa Construction	76
16.	Associated Development	60	17.	Woodmasters Inc	74
17.	Home Associates of VA	58	18.	Health E Community	70
18.	C R McLellon Builder	55	19.	Moody Development	69
19.	Sadler Building Corporation	52	20.	C R McLellon Builder	65
20.	Majestic Homes	51			
	Moody Development	51			

• This list represents closings and permit activity from January through November 2004.

Note: Resale information is made available by the Real Estate Information Network

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*Charlotte East Office Park
Charlotte, North Carolina*

\$15,100,000

*Floating-Rate Debt and
GMACCM Equity*

*Highwoods Business Park
Charlotte, North Carolina*

\$13,000,000

*Anthem Office Building
Richmond, Virginia*

\$16,500,000

*Floating-Rate Debt and
GMACCM Equity*

*Carmel Park I & II Office Buildings
Charlotte, North Carolina*

\$58,500,000

*Emerald Point Apartments
Virginia Beach, Virginia*

\$12,000,000

*Ridgewood Club Apartments
Virginia Beach, Virginia*

\$2,400,000

*Wythe Creek Apartments
Poquoson, Virginia*

\$3,900,000

*Chapel Lake Apartments
Virginia Beach, Virginia*

\$4,000,000

*Hampton Woods Plaza
Shopping Center
Hampton, Virginia*

\$6,000,000

*Great Neck Square
Shopping Center
Virginia Beach, Virginia*

\$8,000,000

*Willow Oaks
Shopping Center
Hampton, Virginia*

\$3,950,000

*Oak Hall Marketplace
Accomack, Virginia
on the Eastern Shore*

\$18,800,000

*300 McLaws Circle
Industrial Building
Williamsburg, Virginia*

*5770 Thurston Avenue
Airport Industrial Park
Virginia Beach, Virginia*

*700 Thimble Shoals Boulevard
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HAMPTON ROADS 2005

MULTI-FAMILY MARKET SURVEY

Acknowledgements

Author:

Charles Dalton

Data Analysis/Layout:

Real Data

Financial Support: Old Dominion University Center for Real Estate and Economic Development (CREED) reports are funded by donations from individuals, organizations and the CREED Advisory Board.

DEFINITIONS

The following terminology and sources are used in the CREED Apartment Report:

Absorption Net change in occupied units within comparable communities within a specific time frame. New units that have entered the market in the last six months (completions) and are currently reported as being occupied are considered positive absorption. Note: With regard to existing communities, absorption can only be calculated for communities that participated in the current and previous survey.

Averages All averages within this report are calculated using a weighted average based on the number of units.

Comparable Rent Change Net change in quoted rent of existing comparable units within a specific time frame.

Comparable Units are defined as communities that participated in the current and previous survey. New units that have entered the market since the previous reporting period are not included in the comparable rent change although they are included in the overall average rent calculation.

Concessions Any monetary discount or enticement being offered during the current reporting period.

Rental Rate The quoted monthly rental rate excluding any additional concessions or specials.

Total Units For the market as a whole, all rentable units that were surveyed in the current time period. For the individual communities, the total number of units that are complete.

Vacant Unit Physically unoccupied; pre-leases that are not physically occupied are considered vacant.

METHODOLOGY

Information contained in the Real Data Virginia Beach-Norfolk-Newport News Apartment Report is obtained from reliable sources, but Real Data makes no guarantee of accuracy or completeness. Readers should understand that the data contained within this report has been gathered from conventional apartment communities, generally with at least 50 units, within Chesapeake, Hampton, Newport News, Norfolk, Portsmouth, Virginia Beach, York and Williamsburg. Conditions might have changed since the survey date of October 15, 2003.

APARTMENT OVERVIEW

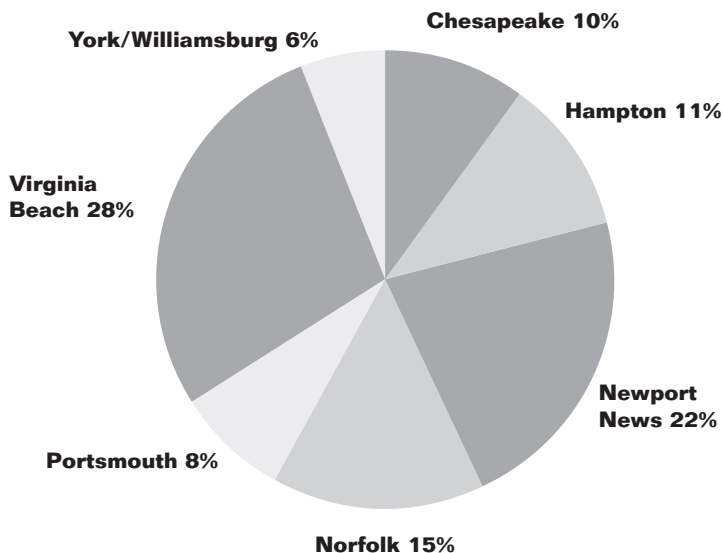
The Virginia Beach-Norfolk-Newport News Apartment Report, published by Real Data, is a detailed analysis of the rental market within conventional apartment communities in the Peninsula and Tidewater portions of the Hampton Roads region. The area has been divided into eight submarkets: Chesapeake/Suffolk, Hampton, Newport News, Norfolk, Portsmouth, Virginia Beach, Williamsburg and York County. Combined, these areas contain a survey base of nearly 80,000 apartment units.

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 the cities of Hampton, Newport News, Williamsburg and York County. The Tidewater area is south of the James River and contains Chesapeake/Suffolk, Norfolk, Portsmouth, and Virginia Beach. Virginia Beach has the highest concentration of units with more than one-quarter of the regions' apartment units.

While slightly lower than in 2003, the occupancy rate in the Hampton Roads region still leads the Southeast in occupancy. As of October 2004, the average occupancy rate was 95.9%. There were negative (-191) units absorbed in 2004. Development activity has increased in recent years. As of October 2004, Hampton Roads had record development with 2,178 units under construction, and an additional 1,256 units proposed.

The average quoted rental rate is \$745 per month, with one-bedroom rents averaging \$659 per month, two-bedroom units averaging \$752 per month, and three-bedroom units reporting an average quoted rental rate of \$886 per month. Rental rates from existing inventory increased by \$19.90 in the last twelve months.

SUBMARKET PERCENTAGES

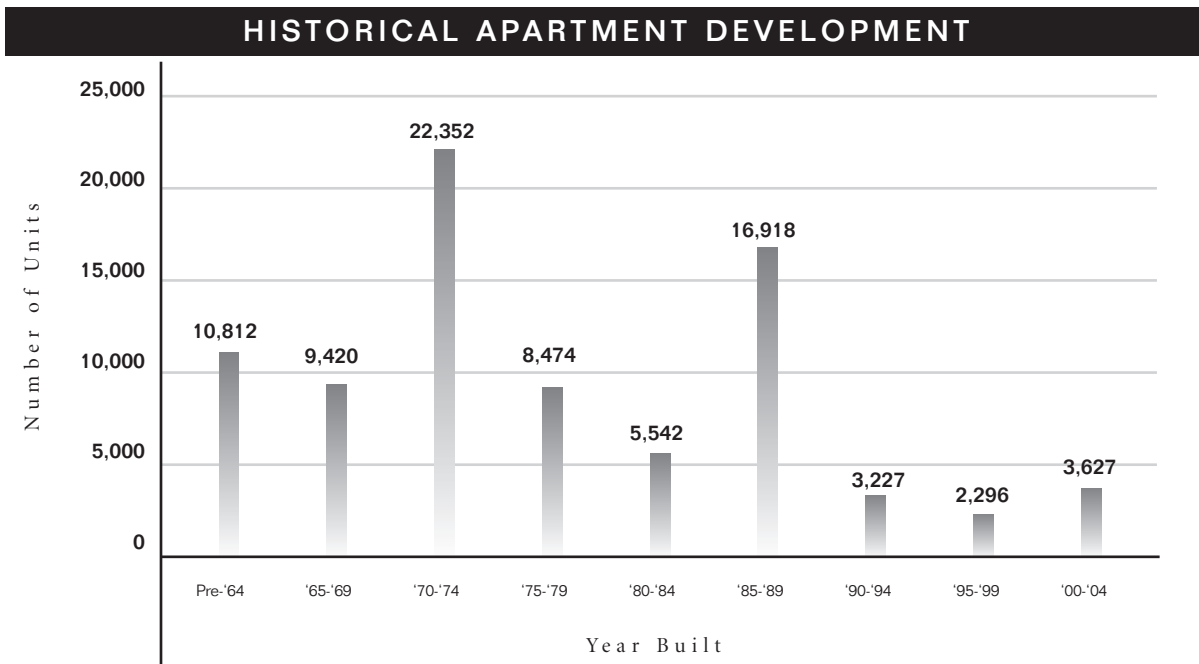


HISTORICAL APARTMENT DEVELOPMENT

Virginia Beach-Norfolk-Newport News

A total of 78,696 units were surveyed for this report. Development of apartment units in this market peaked during two time periods, the early 1970s and the late 1980s. Development during the 1990s and so far in the 2000s is minor compared to past development. Approximately 12% of the apartments units in this region were built after 1990.

FIGURE I



MULTI-FAMILY PERMIT ACTIVITY

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

Multi-family permit activity was strongest in 2002, although much of the permit activity has not been rental apartments, but instead for-sale condominiums, townhouses, and senior facilities.

FIGURE II

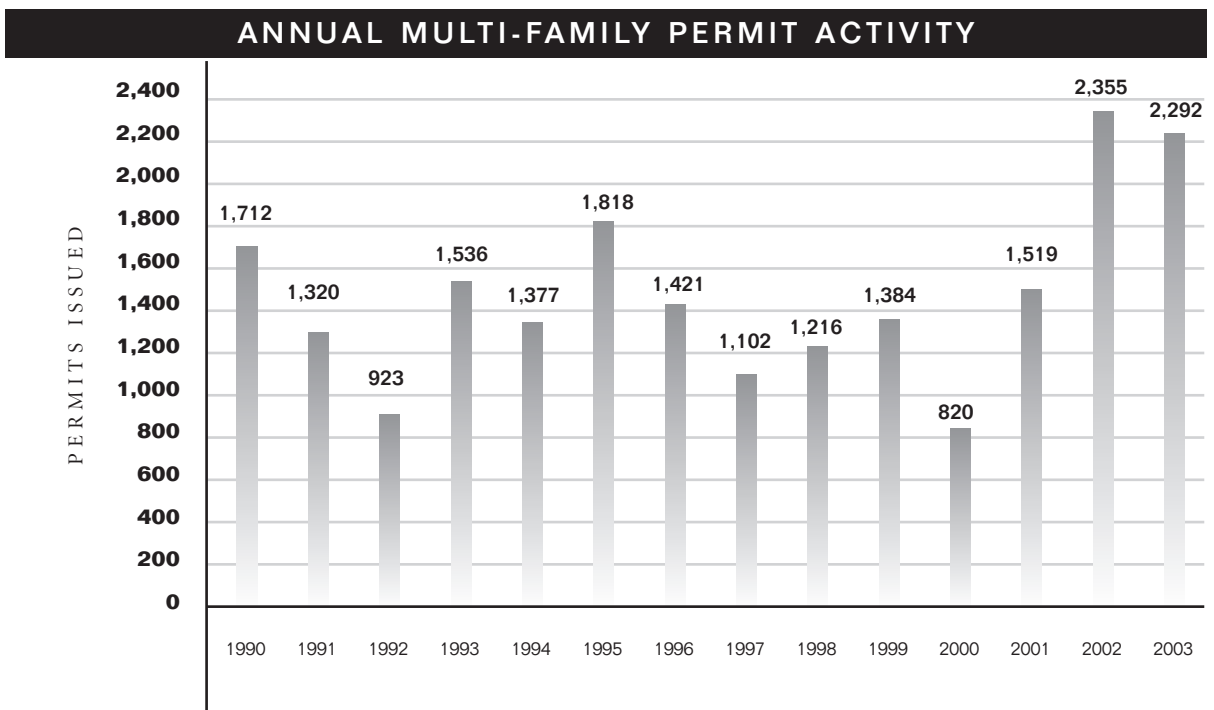
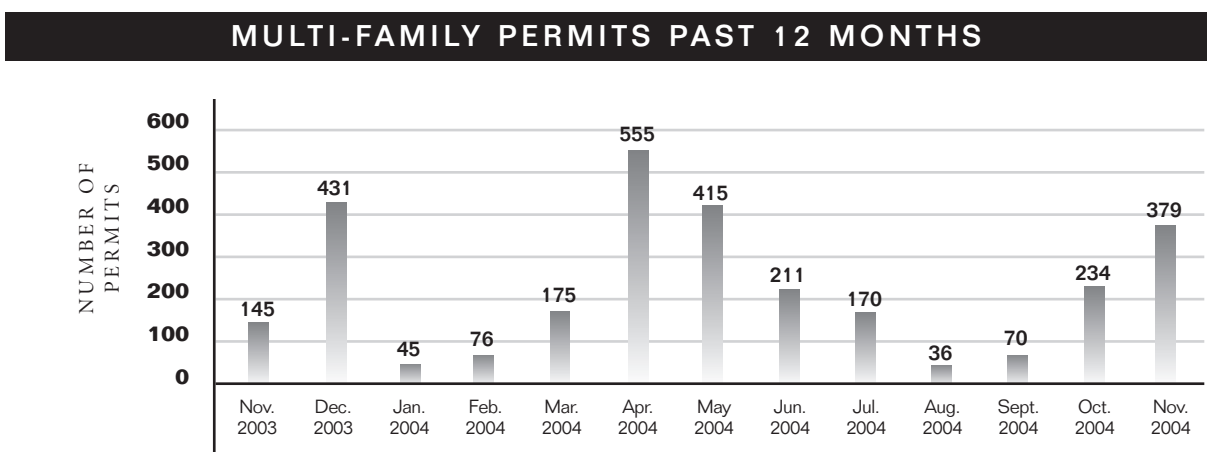


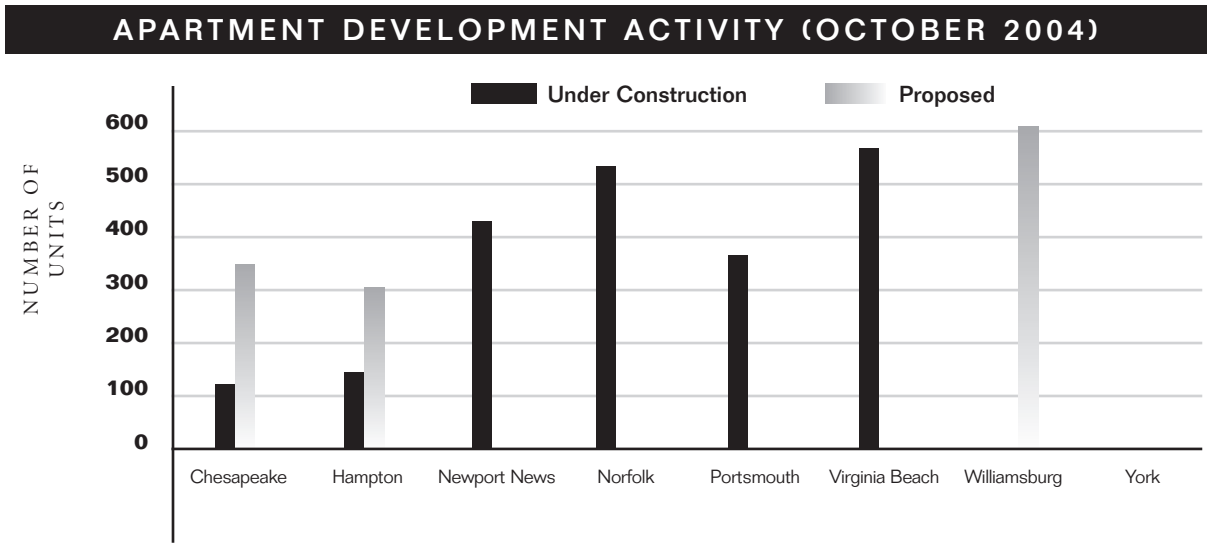
FIGURE III

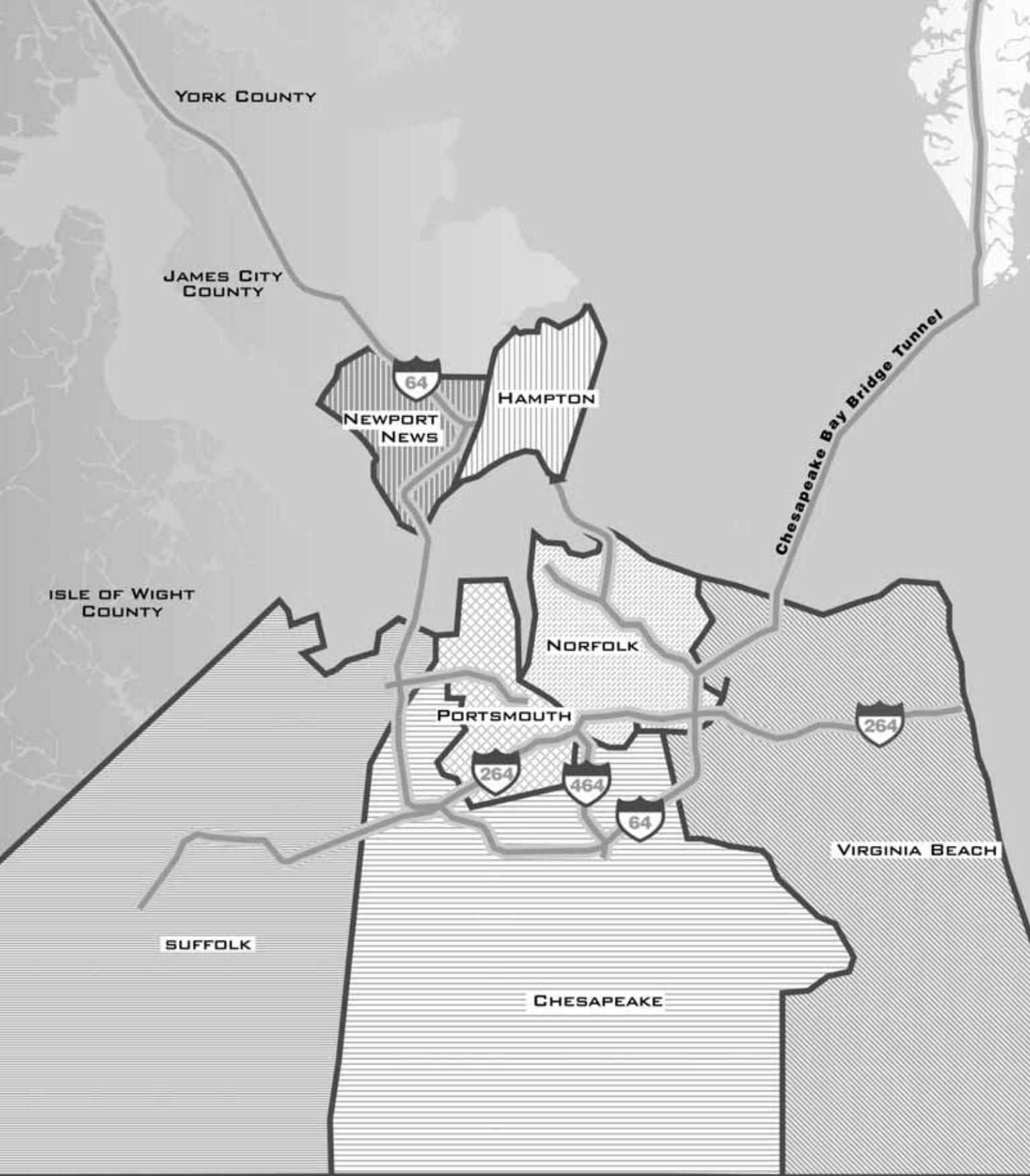


APARTMENT DEVELOPMENT ACTIVITY

There are currently over 2,100 apartment units under construction within eleven communities in the Virginia Beach-Norfolk-Newport News market. As of October, over 1,200 additional apartment units were planned for the region.

FIGURE IV





YORK COUNTY

JAMES CITY COUNTY

ISLE OF WIGHT COUNTY

SUFFOLK

NEWPORT NEWS

HAMPTON

NORFOLK

PORTSMOUTH

VIRGINIA BEACH

CHESAPEAKE

Chesapeake Bay Bridge Tunnel

North Carolina

MULTI-FAMILY SUBMARKETS

Southside

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

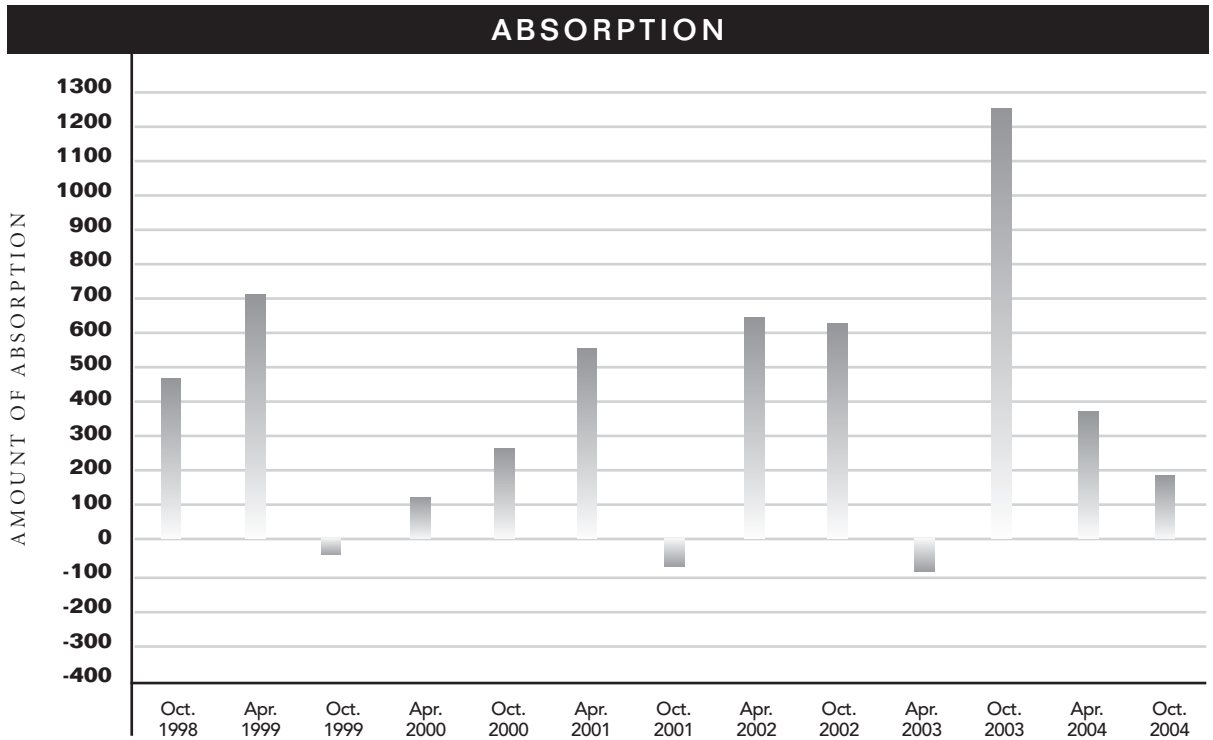
Peninsula

Newport News
Hampton
James City County
York County

ABSORPTION

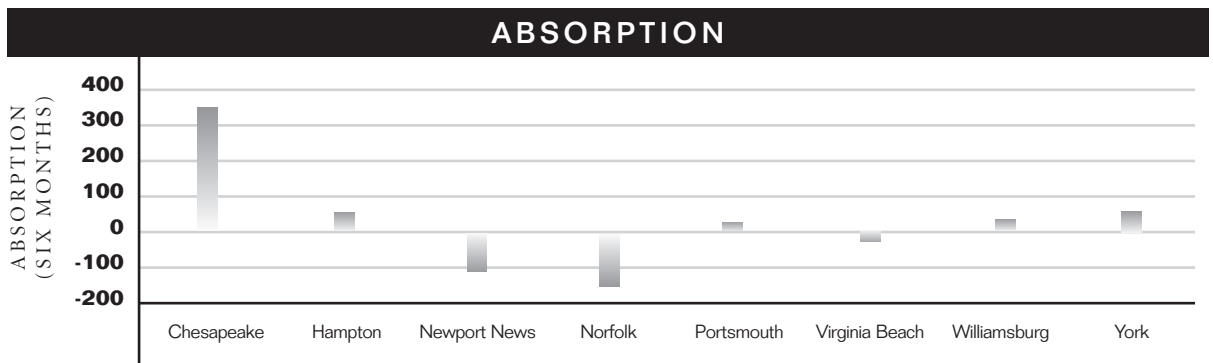
Demand for housing can be measured by calculating the number of housing units absorbed within a given time frame. Absorption is defined as the net change in occupied units. Therefore, positive absorption occurs when previously vacant or newly built dwellings become occupied. Based on the current state of the economy and historical performance, the Virginia Beach-Norfolk-Newport News area is expected to absorb between 700 and 900 units annually. The negative (-191) units absorbed over the past year is well below expectations. This is the first year in many that demand has weakened.

FIGURE V



The Chesapeake submarket had the highest level of absorption between April and October, and Norfolk is reporting the least absorption.

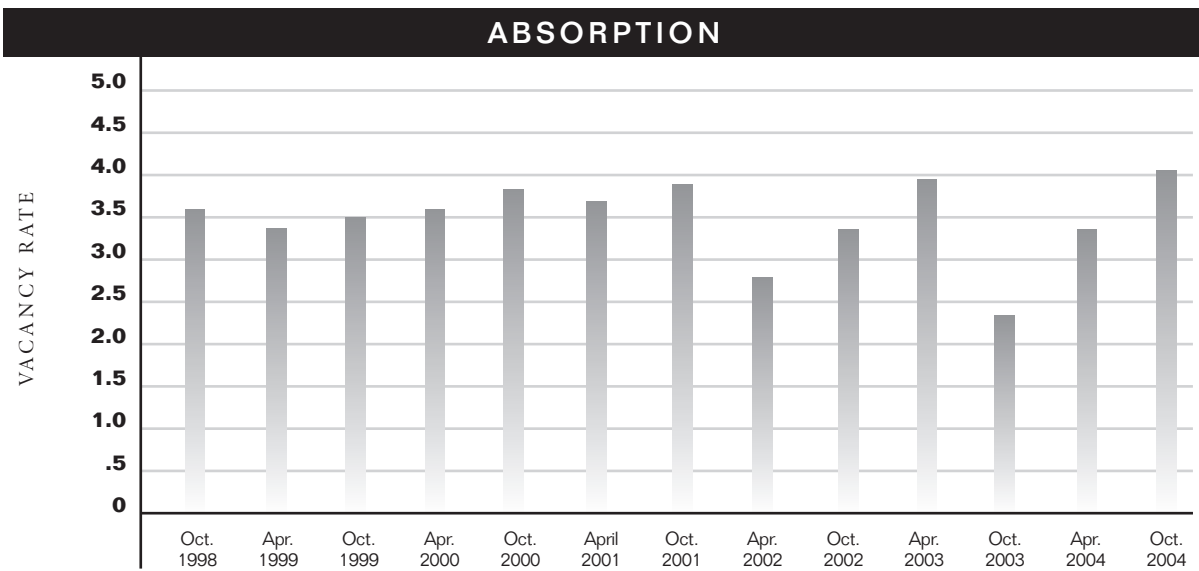
FIGURE VI



VACANCY

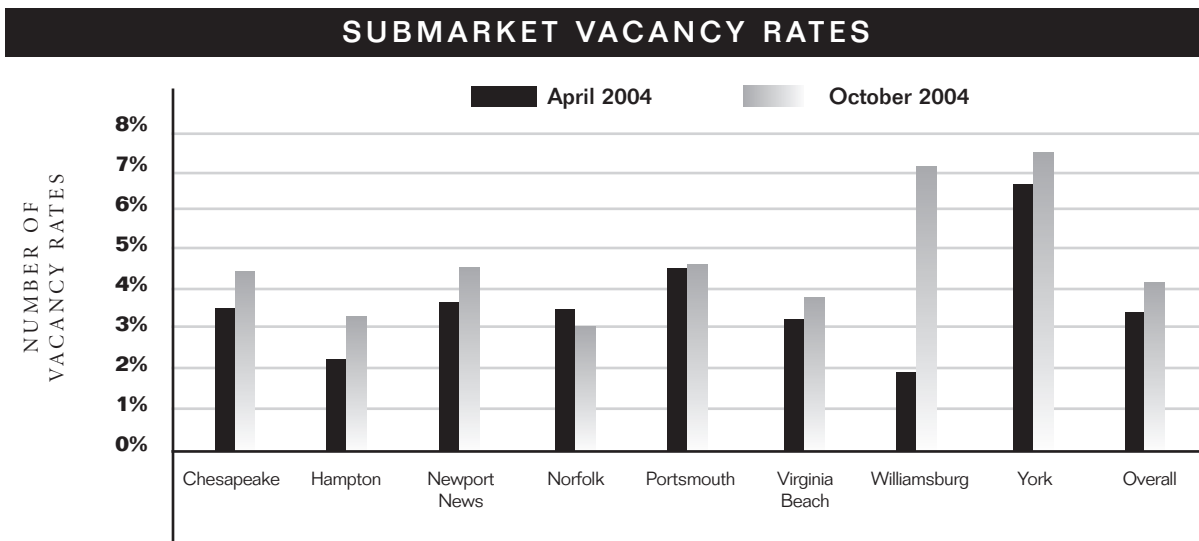
The overall vacancy rate for the Virginia Beach-Norfolk-Newport News market as of October 2004 was 4.1%. This figure represents an increase from the 3.4% vacancy level six months prior. Based on the current development pipeline, vacancy rates are expected to rise, reaching 5% in 2005.

FIGURE VII



Almost all areas had an increase in vacancy rates over the past six months. The Williamsburg submarket had the most significant increase from 1.9% in April to 7.2% vacant in October 2004.

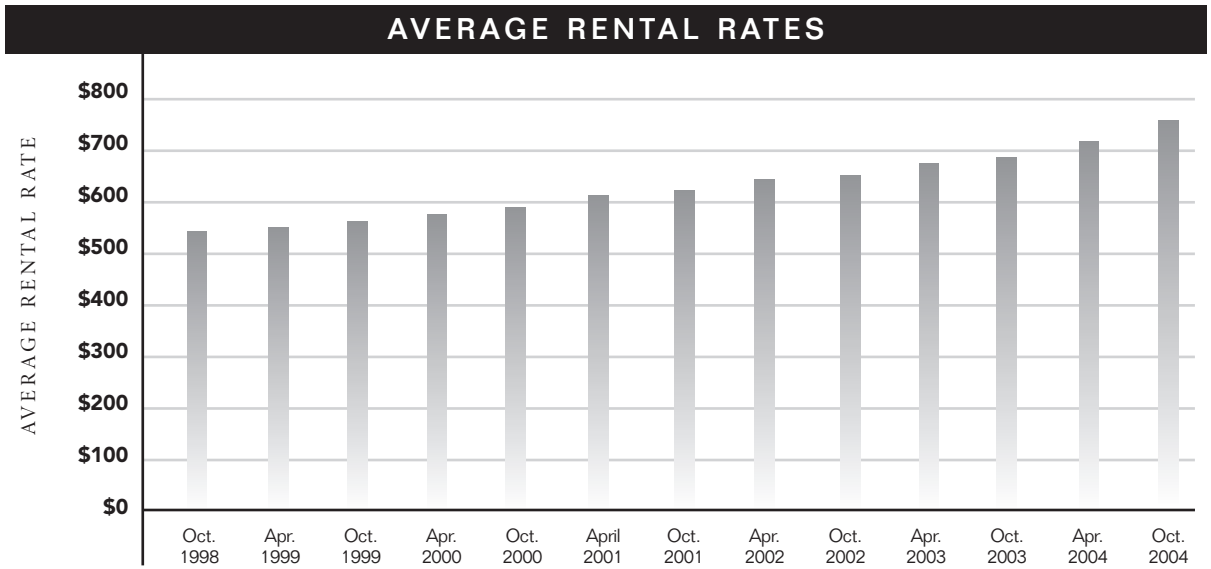
Figure VIII



RENTAL RATES

As of October, the average quoted rental rate in Virginia Beach-Norfolk-Newport News was \$745. Beginning in 2003, rental rates are reported with rental concessions. As expected with occupancy rates almost 96%, only 7% of apartment communities are offering concessions. Concessions offered most often were one month free rent.

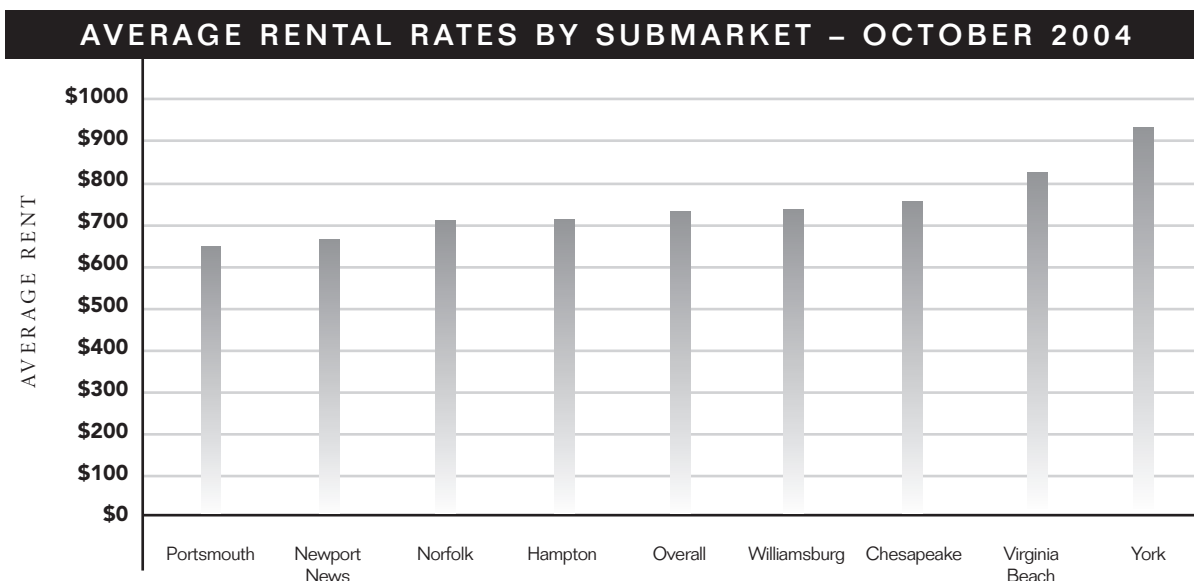
FIGURE IX



AVERAGE RENTS

Average overall rents ranged from a low of \$656 in Portsmouth to a high of \$931 in York County. Portsmouth, Newport News, Norfolk, and Hampton all reported rents lower than the average rent of \$745, while Williamsburg, Chesapeake, Virginia Beach and York County all reported rents higher than the average overall quoted rent.

FIGURE X



MANAGEMENT

There were over 400 conventional apartment communities with more than 50 units surveyed in the Tidewater and Peninsula regions in October. Out of the 78,696 apartment units, the top fifteen management firms manage over half of the units in the Virginia Beach-Norfolk-Newport News apartment market. In addition to these fifteen firms, there are more than 100 additional management firms and private individuals that manage the remaining 45% of the market. The top five management firms manage 37% of the market, or nearly 30,000 units.

REGIONAL TRENDS

Richmond

Findings for the August 2004 Richmond Apartment Index were based on 53,463 units. The overall vacancy rate was 8.5% while the average rent reported was \$707 per month. Starts are at their lowest level in four years, although there are still over 1,600 units currently under construction, and there are more than 1,500 units proposed.

Roanoke

Over 9,000 apartment units were surveyed for the April 2004 Roanoke Apartment Index Report. Findings indicated a vacancy rate of 8.6%, an improvement from 10.3% reported in the previous year. Overall rental rates were \$577 per month. There was no development activity in Roanoke as of April 2004.

Table I

TOP 15 MANAGEMENT COMPANIES

Name	Units
Great Atlantic	8,603
S.L. Nusbaum	7,717
Drucker & Falk	6,039
Lawson Companies	4,398
AIMCO	3,565
Perrel Management	2,175
Breeden Management	1,599
Ripley-Heatwole	1,470
United Dominion Rlty	1,438
Abbitt Management	1,385
PRG Real Estate	1,270
Clark-Whitehill Ent.	1,268
Winn Residential	1,084
Kotarides Companies	1,079
Palms Associates	965

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Acknowledgements

Author:

Jonathan Guion, SIOR
Senior Advisor
Sperry Van Ness
Commercial Real Estate Advisors

GENERAL OVERVIEW

This report analyzes commercial real estate investments, during 2004, within the Virginia Beach- Norfolk-Newport News, VA-NC Metropolitan Statistical Area (the “MSA”), also known as Hampton Roads. This report provides both summary and specific data on investment sales of commercial buildings located throughout the MSA. Where available the report includes information on properties in the cities of Chesapeake, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, Virginia Beach and Williamsburg, plus the counties of Gloucester, James City and York.

METHODOLOGY *

The purpose of this Commercial Investment Property review is to collect commercial real estate investment sales data, report on current national and local trends and as future data is collected be able to establish longer-term trends within the Hampton Roads commercial real estate investment market.

This 2004 survey is the first in the series and data has been collected for the time period of January 1st through December 31st, 2004. As this report went to publication at the end of December, it may not include some transactions that took place at the very end of the year. This data should be used for trends analysis only as the data collected is from multiple sources and the author was not always able to verify the specifics of individual transactions.

The focus of this survey is on the four primary types of commercial investment real estate including Apartments, Office, Retail and Industrial.

The objective of this report is to include as many building sales as possible. The building criterion includes the four primary property types but an effort has been made to limit the survey to buildings that are owned as investments. Single tenant buildings are included if the primary function of the ownership is as an investment. Owner occupied buildings are included if a significant part of the property is leased to third party tenants. Land is excluded from this report.

National and regional data has been provided by Real Capital Analytics through Sperry Van Ness Commercial Real Estate Advisors. Local data has been gathered through Sperry Van Ness Commercial Real Estate Advisors with assistance from, and many thanks to, the following companies:

Axial Advisory Group, Real Estate Appraisers
Aubrey Graham Associates, Real Estate Appraisers
Brian Dundon and Associates, Real Estate Appraisers
Divaris Real Estate Investment Group
Great Atlantic Management Company
Perrine & Wheeler Real Estate Investments

**Figures in this report may vary slightly from other market reports due to different sources.*

NATIONAL OVERVIEW

The commercial real estate investment market across the United States has been at fever pitch throughout the year. An overview of the national investment market needs to include a discussion of capital availability, the make-up of investors, the general economy and the growing impact of Tenant-in-Common ownerships, or TICs.

The availability of capital seeking commercial investments remained very high throughout the year and continued to create a very competitive environment for property sales. Buyers seeking quality properties are continuing to be forced to compete with multiple bidders in most deals. It is no longer rare for properties to be sold at or above asking price. Although short term interest rates are rising, the short term rate increases have not slowed the appetite for properties. Long term rates are forecast to remain low and are still below historical norms, making the spreads still attractive for even more aggressive investors.

The make up of investors, for property acquisitions valued over \$1 million, has changed slightly from the prior year. Private investors still dominate in the overall market representing more than 50% of all purchase volume, but REITs and institutional buyers increased their acquisitions by about 40% during the year. REIT and institutional buyers allocated a lot more capital for purchases in 2004 and are continuing to increase their buying efforts as they move into 2005. Nationally, private apartment buyers still remain the dominant force with over 66% of total apartment acquisition volume, but, as mentioned, REITs and foreign buyers have increased their acquisition levels dramatically. This year, REITs and institutional buyers account for over half of the suburban office deals pushing aside private investors. Institutional buyers will almost double their office acquisition volume for the year. REITs and institutional buyers have also edged out private buyers in flex and warehouse properties and now account for one half of all warehouse acquisitions in 2004. Retail properties, particularly malls, have been dominated by the REITs with 51% of all mall acquisitions and 30% of strip centers being purchased by REITs. Private investors still account for one half of all strip center acquisitions, but the numbers are shifting.

The national economy continues to gain strength and this is a good sign for the improving economics of investment properties. Continued employment growth will be good for the office sector and will also bring additional spending to retailers. Vacancies in all property types across the nation are improving, albeit painfully slow. The biggest negative economic impact on the commercial investment market has been the dramatic rise in the cost of construction materials. Drywall has increased an average of 10% and the cost of steel has sky rocketed by as much as 20% during the year.

Tenant-in-Common ownerships (TICs) have taken off as a strong submarket of national commercial investment sales during the last year. This ownership structure recently qualified as an option for 1031 exchanges, which when coupled with the competitive and expensive market for net leased properties that are typically the target for 1031 buyers, has spawned its own mini industry. TIC purchases will most likely exceed \$4 billion for 2004 and continue a fast growth curve as more private investors come to understand exactly how TICs work. TICs offer the private investor access to institutional grade properties that would normally be out of their reach. TICs offer each investor an undivided fractional interest in a property, their share of the revenues and tax benefits and a separate deed. Ownership interest is proportionate to the amount of equity put into the deal. TIC ownership is an alternative to owning REIT shares, can provide an easy entry level for beginning private investors and provides a very workable alternative for active investors ready to retire. Active TIC companies are fast becoming competitive buyers of investment properties and are also creating TIC sale and resale alternatives.

This past year the national commercial investment sales market has remained strong, aggressive and flexible, adjusting to continuing global influences. The year ahead should hold very much the same as rates stay relatively low, the economy gains strength and investors continue to hunt for opportunities. More investors will be looking at upside potential deals as margins get slimmer and available quality properties get harder to find. Continued strengthening of the economy will increase the flow of money back into the stock market. This will relieve some of the excess capital pressure looking for properties. 2004 was a great year for investment sales and the year ahead looks like another good year as well.

HAMPTON ROADS OVERVIEW

The local Hampton Roads commercial investment market has mirrored the national market with a few exceptions. The availability of capital has been strong with many more buyers looking than sellers selling. The local economy has remained ahead of the nation as a whole and local investments appear to be fairing better than those in other markets, with lower vacancies and stronger returns. This has led to strong demand in apartment sales and an active office sales market. Buyers in the market include a good diversity of local investors, REITs and large private investors. Tenant-in-Common investments (TICs) are still relatively unknown to the local investors and this is due to the limited number of qualified companies that are creating TIC investments for general consumption and no local group currently offering the product.

Apartments

Although the national apartment market is slowly continuing to work itself out of a slump, the optimism of buyers across the nation is robust. Apartment transactions are setting records for total volume and prices per unit. The national average price per unit made significant increases during the year from close to \$70,000 per unit in the first quarter to above \$87,000 per unit in the fourth quarter. Condo converters are playing a significant role in apartment purchases and can afford to drive up the price per unit because their return is in the unit sale. Capitalization rates continued to drop during the year to a national average of below 7%. Primary and secondary apartment markets are showing capitalization rates closer to 6.5%, while tertiary markets are closer to 7.5%. Larger properties, those trading over \$25 million, are also showing very aggressive capitalization rates, often below 6.5%. Some markets have recorded apartment sales with capitalization rates below 5%.

The Hampton Roads apartment market had a robust year as well with over 4,000 units trading hands. With a total market size of approximately 80,000 units this represents a turnover of 5%. Apartments remained the most sought after property type for investors and competition for properties has been aggressive. The average price per unit rose from approximately \$66,000 per unit in 2003 to \$76,500 per unit for 2004. Prices per unit had a wide disparity and ranged from a low of \$28,400 per unit to a high of just under \$136,000 per unit. Capitalization rates for local property transactions are seldom reported, but are estimated at just above 7%.

Major transactions for the year included the portfolio sale of four properties in Hampton and Newport News that total 729 units and the sale of Emerald Point in Virginia Beach which totals 863 units. Alta at Towne Square in Virginia Beach, which was completed in May of 2003, had the highest recorded sales price per unit of \$135,938. The majority of transactions took place in Virginia Beach with Newport News having the second largest number of properties sold.

Significant transactions over \$5 million for 2004 included:

Emerald Point	Virginia Beach	863 units	\$63,000,000
Alta at Towne Square	Virginia Beach	288 units	\$39,150,000
Alta Bay	Chesapeake	240 units	\$30,950,000
South Beach Apts.	Virginia Beach	212 units	\$26,975,000
Pembroke Lake	Virginia Beach	300 units	\$21,900,000
Royal Point	Virginia Beach	208 units	\$19,500,000
Bridgewater	Hampton	216 units	\$19,000,000
Ramblewood	Norfolk	300 units	\$16,300,000
Ridgewood Club	Virginia Beach	192 units	\$12,150,000
Oyster Point Place	Newport News	278 units	\$11,093,828 allocated
Arboretum Place	Newport News	184 units	\$10,600,000
Trellis at Lee's Mill	Newport News	176 units	\$ 8,800,000
Heritage Trace	Newport News	200 units	\$ 7,981,172 allocated

Office

The national office market began to show signs of recovery during 2004 with declines in availability of sub-lease space and increases in employment growth. Employment growth in financial and technology firms has been helping to slowly burn off the excess office space around the country. The national vacancy rate for office space dropped to below 20% at the end of the year and fundamentals are slowly improving in many downtown and suburban markets. Even with high vacancies, office properties have been popular with investors and the end of the year should post record sales volumes. During the second half of the year in 2003 the national average price per square foot dropped, however 2004 has reversed that trend with significant increases in central business district (CBD) prices per square foot and slight increases in suburban market prices per square foot. The national average price per square foot is just above \$168 per square foot. Capitalization rates for office properties continue to reflect their popularity with investors and have dropped from over 8% in the first quarter to below 7.5% in the fourth quarter. CBD office properties, which have become the target of major buyers, are showing the most aggressive capitalization rates at or below 7.5% while suburban properties are closer to 8%.

The Hampton Roads office market had a busy year with over 1.5 million square feet of office properties trading hands. With a total market size of 22 million square feet this represents a turnover of over six percent. The average price per square foot rose during the year from approximately \$98 per square foot in the first quarter to above \$109 per square foot by year-end. Capitalization rates for local transactions are seldom reported but are calculated to be approximately 8.5% for the premier properties.

Major transactions for the year included Dominion Tower in Downtown Norfolk which is over 400,000 square feet; two buildings on Independence Parkway in Chesapeake which total 147,260 square feet; Patrick Henry Corporate Center in Newport News which is 100,000 square feet; and Reflections IV which is 80,000 square feet. Chesapeake Medical Center, which houses over 51,000 square feet of medical space, had the highest per square foot price at \$193 per square foot. Of non-medical space, Dominion Tower had the highest per square foot sales price of \$132 per square foot. The balance of the local office investment market was made up of properties less than 55,000 square feet and valued between \$400,000 and \$4 million. These properties averaged just over 13,000 square feet and sold for an average of \$91 per square foot.

Significant transactions, over \$5 million, for 2004 included:

Dominion Tower	Norfolk	403,276 SF	\$53,300,000	\$132/SF
Interstate Corp. Ctr.	Norfolk	437,953 SF	\$31,485,000	\$72/SF
Independence Pkwy.	Chesapeake	147,260 SF	\$17,062,000	\$116/SF
Patrick Henry Corp. Ctr.	Newport News	102,000 SF	\$10,750,000	\$109/SF
Reflections IV	Virginia Beach	80,000 SF	\$10,300,000	\$129/SF
Chesapeake Medical Ctr.	Chesapeake	51,167 SF	\$ 9,900,000	\$193/SF
Hampton Professional Ctr.	Hampton	63,024 SF	\$ 8,690,000	\$138/SF
535 Independence Pkwy.	Chesapeake	96,960 SF	\$ 8,000,000	\$83/SF
448 Viking Dr.	Virginia Beach	75,369 SF	\$ 6,750,000	\$90/SF
1435 Crossways Blvd.	Chesapeake	51,850 SF	\$ 5,455,000	\$108/SF
2600 Washington Ave.	Newport News	110,000SF	\$ 5,300,000	\$48/SF

Retail

The national retail investment market consists of four major property types, including malls, big box centers, strip centers and free standing retail. The investment market for malls is slowing while the remaining property types continue to display high investor demand. Consumer spending has kept discount retailers and thus big box retail centers in strong demand with investors. The dominant buyers in the retail investment market have moved from being private investors to REITs and TIC companies. Prices per square foot continued to rise during the year but are showing signs of leveling off. Malls are at \$100 per square foot while power and strip centers are selling closer to \$145 per square foot. The national average capitalization rate for big box centers has been on a downward trend and will end the year close to 8%. Strip shopping centers continue to see pressure from consolidation and intense competition in the grocery business; however, investors are still targeting these properties. The national average capitalization rate for strip centers will close the year below 8%, but this hides a wide disparity created by the age, size and location of the properties. Net leased properties continue to trade at a brisk rate and remain very popular with 1031 exchange buyers. The end of 2004 has seen a rush of riskier properties come to the market as sellers are trying to capitalize on the record prices accomplished earlier during the year. National average capitalization rates for net leased properties remained under 8% at the end of the year.

The Hampton Roads investment retail market was brisk, but below the pace set in 2003. Over 1.7 million square feet traded hands, which represents less than 4% of the total 46 million square feet of retail space in the market. Every property type, from Greenbrier Mall to a freestanding net leased Walgreens, was represented in the sales column. The majority of the sales were strip centers with prices ranging from \$48 to \$115 per square foot and averaging \$89 per square foot. Coincidentally, even when separated from the other sales, all the small retail spaces that sold still averaged \$89 per square foot.

Major transactions for the year included the sale of Greenbrier Mall in Chesapeake at \$141 per square foot; the sale of the 239,763 square foot Fairfield Shopping Center in Virginia Beach for \$94 per square foot; the sale of a Walgreens in Norfolk for \$309 per square foot; and the sale of Mid City Shopping Center in Portsmouth for \$12 per square foot. Mid City was owned by the city of Portsmouth and will be torn down and rebuilt.

Significant transactions, over \$2.5 million, for 2004 included:

Greenbrier Mall	Chesapeake	723,753 SF	\$102,500,000	\$142/SF
Fairfield Shopping Ctr.	Virginia Beach	239,763 SF	\$22,548,000	\$94/SF
Dean Plaza (HQ)	Virginia Beach	126,850 SF	\$13,500,000	\$106/SF
Dominion Marketplace	Chesapeake	76,248 SF	\$ 5,400,000	\$71/SF
Elmhurst Square	Portsmouth	66,250 SF	\$ 5,150,000	\$78/SF
Sports Authority	Hampton	42,005 SF	\$ 4,850,000	\$115/SF
Walgreens	Norfolk	14,560 SF	\$ 4,500,000	\$309/SF
Cypress Plaza	Virginia Beach	59,012 SF	\$ 2,815,000	\$48/SF
Mid City Shopping Ctr.	Portsmouth	209,445 SF	\$2,600,000	\$12/SF

Industrial

The national industrial investment market is separated into two property types that include warehouses and flex buildings. Warehouses are typically 400,000 square foot and larger distribution buildings while the flex properties are smaller in size and have a greater percentage of office space. Flex properties are typically designed for high tech, research and back office operations. Increases in wholesale trade and logistics operations have bolstered the national warehouse market while the flex market continues to struggle with high vacancies. The national average price per square foot for both warehouse space and flex space rose during the year. Warehouse prices have steadily risen about 21% from an average of \$41 per square foot up to an average of \$50 per square foot by the end of the year. Flex prices have gone up and down during the year but finished higher at just under \$100 per square foot. Because warehouse properties are considered by investors to be more stable than flex properties, the national average capitalization rates are reflective of the spread. The national average capitalization rate for warehouse properties was 8.4% while the national average capitalization rate for flex space was at 8.9%.

The Hampton Roads industrial investment market was the quietest of all the property types with just over one million square feet of space trading hands. This represents 1% of the total industrial market, which encompasses over 92 million square feet of space. Flex investment properties sold in the range of \$80 to \$87 per square foot while warehouse investment properties sold for between \$25 and \$56 per square foot. The average for all the properties reported was \$47 per square foot. Capitalization rates for these properties were not reported.

Significant transactions for 2004 included:

5301 Robin Hood Rd.	Norfolk	128,000 SF	\$11,117,158 allocated	\$87/SF
1400 Crossways Blvd.	Chesapeake	85,004 SF	\$ 7,382,842 allocated	\$87/SF
281 Pickets Line	Newport News	170,000 SF	\$ 5,800,000	\$34/SF
101 Dexter St.	Norfolk	151,000 SF	\$ 3,817,000	\$25/SF
113 S. Witchduck Rd.	Virginia Beach	81,650 SF	\$ 3,750,000	\$46/SF

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WATERFORD OFFICE
MIDLOTHIAN, VIRGINIA
50,000 S.F. CLASS A
OFFICE PROPERTY
\$5.1 Million

281 PICKETT'S LINE
OAKLAND INDUSTRIAL PARK, NEWPORT NEWS, VIRGINIA
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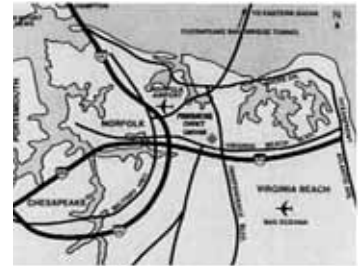
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Acquisitions
\$51,000,000
2004 Property
Refinancings
\$78,000,000
2004 Property
Dispositions

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