

Old Dominion University Hampton Roads Real Estate Market Review and Forecast 2006



Presented by:
E.V. Williams Center
for Real Estate
and Economic Development



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Old Dominion University Hampton Roads Real Estate Market Review and Forecast 2006

Residential Review – J.V. Rose, Jr.



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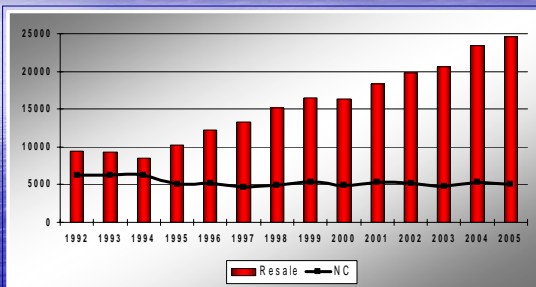


Residential Market Review



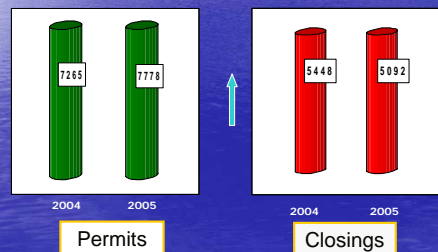
J. Van Rose, Jr. MIRM
 President
 Rose & Womble Enterprises
 Principal Owner of Rose & Womble Realty
 2004 Rose & Womble Sold 7,000 Homes
 Equaling \$ 1 Billion in Volume
 Lifetime Teacher & Motivator
 Travels the country sharing his knowledge
 and unique perspective.

14 Year History of Resale and New Construction Closings



Hampton Roads Housing Stats – 2005

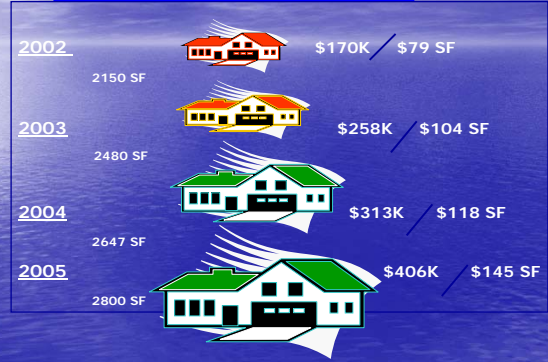
•7,778 Building Permits
 •5,092 Closed New Home Sales



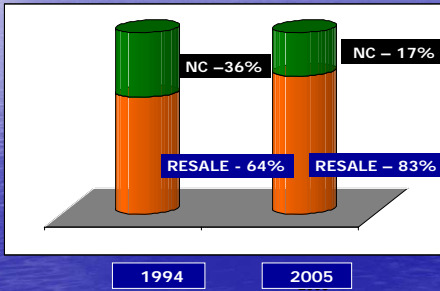
Hampton Roads Housing Stats – 2005

- Average Price of SF New Home
- \$405,943
- An Increase of \$91,138 and 28.9% in one year
- Average Price of SF Existing Home
- \$252,844
- An Increase of \$45,317 and 21.8% in one year

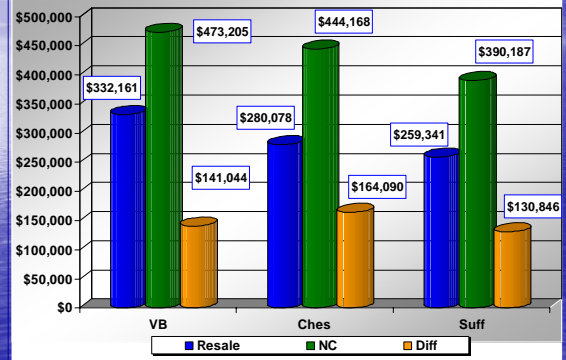
Growth of Home Sizes and Price Per Square Foot



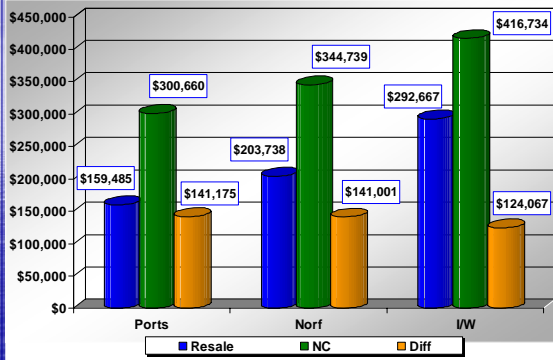
Market Share 1994 vs. 2005



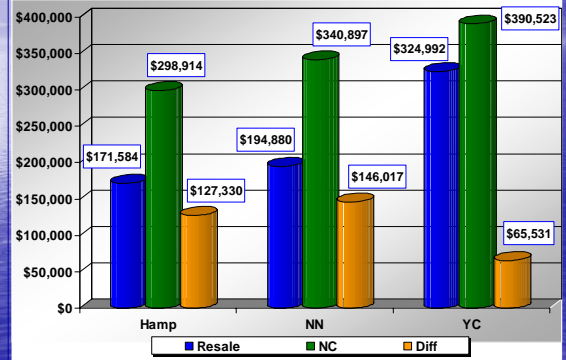
Southside Single - Family Detached Homes Resale vs. New Construction Average Closing Prices for 2005

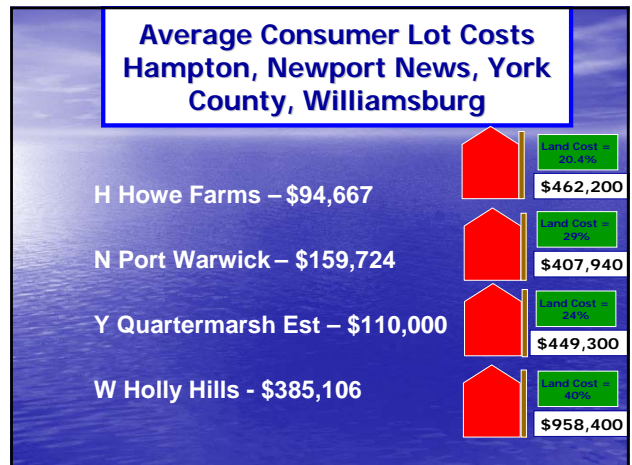
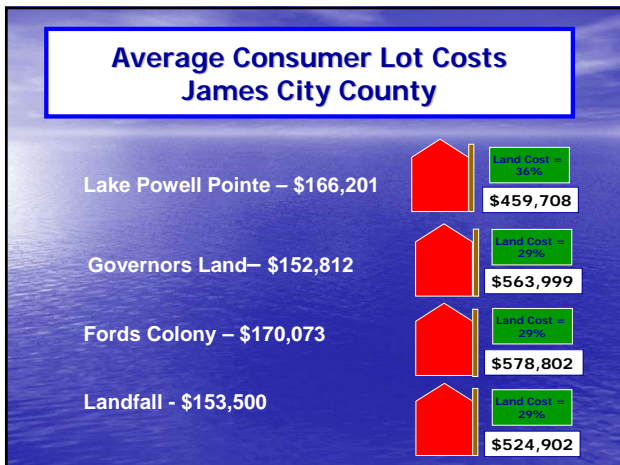
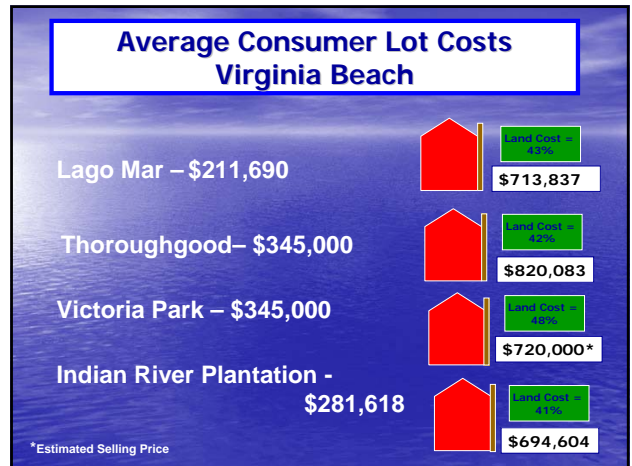
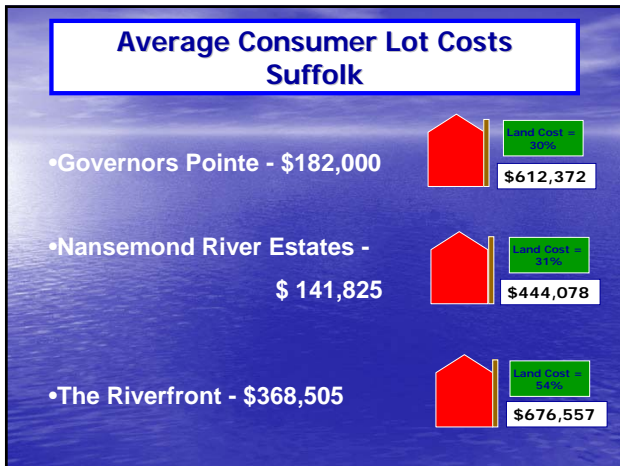
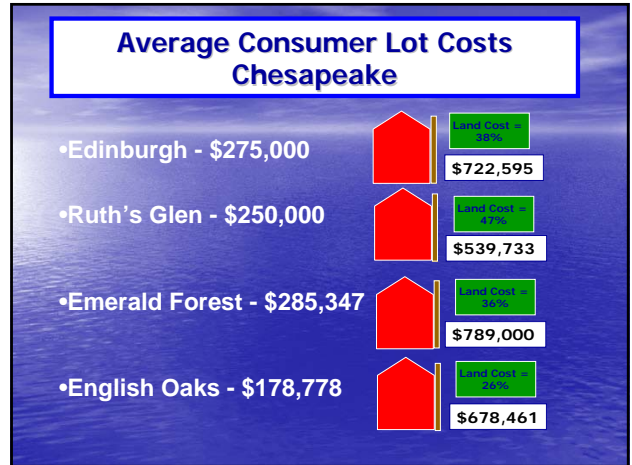
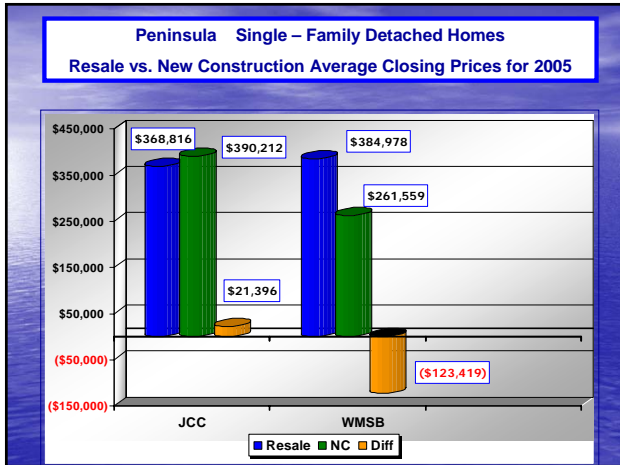


Southside Single - Family Detached Homes Resale vs. New Construction Average Closing Prices for 2005



Peninsula Single - Family Detached Homes Resale vs. New Construction Average Closing Prices for 2005





Residential Housing Forecast

1. Cautiously Optimistic

RESIDENTIAL HOUSING FORECAST

REASONS:

1. Hampton Roads Economics

Hampton Roads Economic Stats 2005

- ✓ The area's economy has outperformed the country's for the past 5 years
- ✓ The port's growth and tourism provide a buffer to military cutbacks
- ✓ Median Family Income

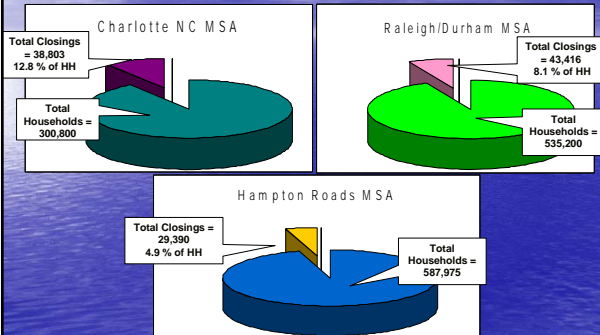
National Average	\$ 57,511
Virginia Beach	\$ 61,230
Chesapeake	\$ 58,701
Hampton	\$ 46,110
James City County	\$ 66,171
- ✓ Average MSA Military Pay \$ 52,600
- ✓ More than 53,000 Retired Military in HR

RESIDENTIAL HOUSING FORECAST

REASONS:

2. Hampton Roads Housing Demand

Percent of Households That Purchased A Home in 2005 Compared To The Total Number of Households In The MSA

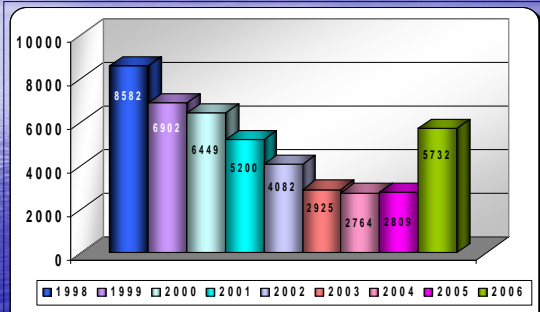


RESIDENTIAL HOUSING FORECAST

REASONS:

3. Hampton Roads Housing Supply

**Number of Homes Listed in December
1998-2005 and January 2006**



**RESIDENTIAL HOUSING
FORECAST**

REASONS:

- 4. Effects of Interest Rates
(Mortgage Instruments)

Interest Rate Affect On Housing Affordability

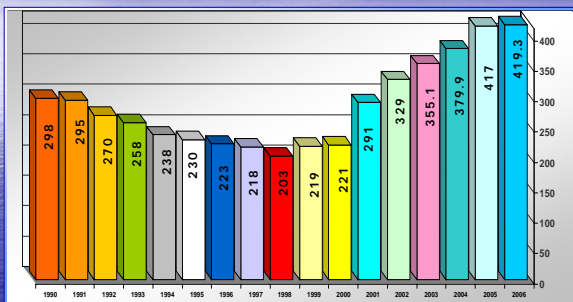
	1999	2000	2001	2002	2003	2004	2005
MI	\$39,704	\$42,448	\$51,000	\$53,900	\$56,302	\$56,624	\$59,100
IR	8.2%	7.3%	7.3%	5.5%	5.25%	6.0%	6.125%
=	=	=	=	=	=	=	=
TM	\$154,000	\$173,000	\$210,000	\$260,000	\$300,000	\$275,000	\$300,000
With Down Payment					\$400,000		
Interest Only					\$425,000		
Interest Only With Down Payment					\$525,000		

**RESIDENTIAL HOUSING
FORECAST**

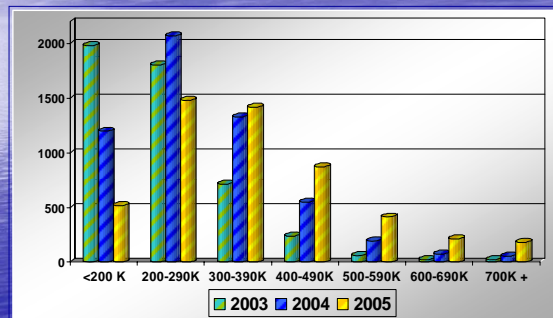
REASONS:

- 5. Military Influence

**Defense Spending In Billions
1990 - 2006**



**New Construction Closings By Price Points
2003, 2004, 2005**



Old Dominion University
Hampton Roads Real Estate
Market Review and Forecast
2006

Multifamily Review – Aubrey Layne



Presented by:
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and Economic Development



Multifamily Market Review



Aubrey Layne
President & Principal Broker
Great Atlantic Properties

Responsible for the operations and administration of Great Atlantic's Property management functions, new business acquisition, capital improvement, banking and investor relations.

MBA – Old Dominion University

2006 Multifamily Market: Review and Assessment

Aubrey L. Layne, Jr.
President
Great Atlantic Management



2006 Multifamily Market: Review and Assessment

- 2005 Year in Review
 - Economic Background
 - Fundamentals
- Operational Trends
- Multifamily Transactions
- Opportunities / Cautions
- Conclusion

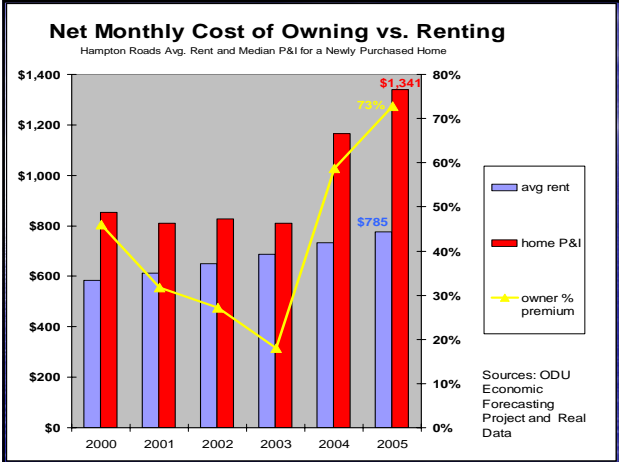
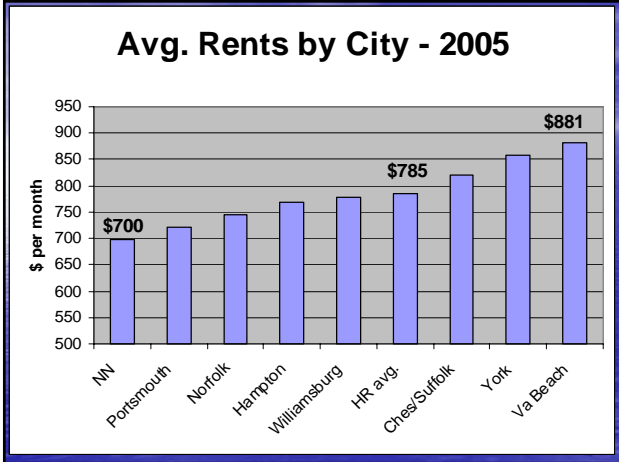
2005 Year in Review

- Economic Background
 - HR (Hampton Roads) favorable unemployment rate of 3.6% (vs. 4.7% for US)
 - Demand exceeds supply
 - 2,595 units under construction and 1,764 proposed
 - Long term interest rates historically low and steady
 - Home prices have increased significantly

2005 Year in Review (Continued)

- Fundamentals
 - Vacancy 3.8%
 - Average rent \$785
 - Rent growth in excess of inflation
 - Strong fundamentals compared to nearby regions

Source: Real Data



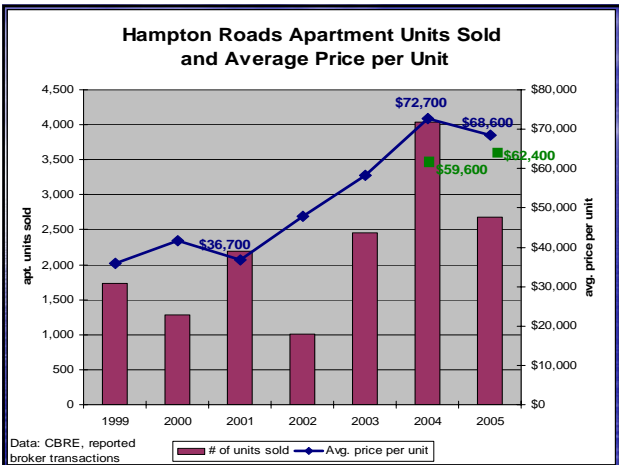
Comparison to Nearby Regions

	HR	Richmond	Raleigh-Durham
Vacancy	3.8%	6.3%	9.8%
Avg. Rent	\$785	\$726	\$700
2 yr. % Change rent	13.8%	6.5%	-7.8%

Source: Real Data

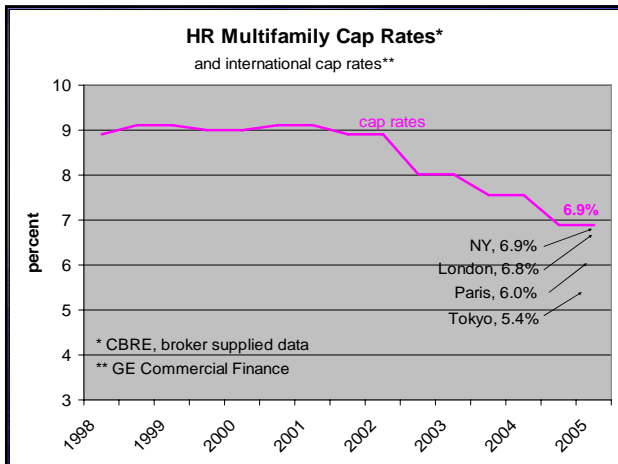
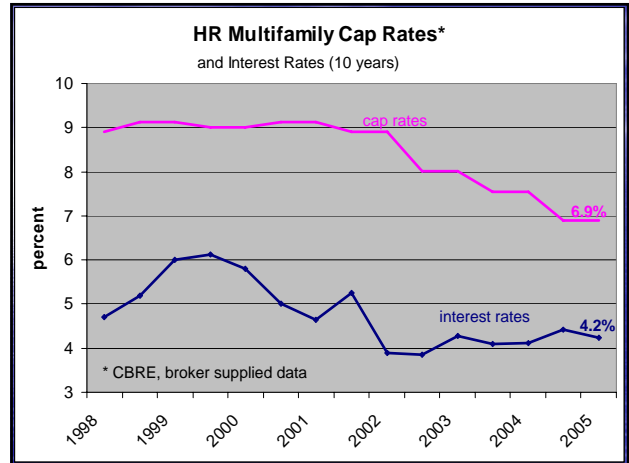
- ### Operational Trends
- Condo conversions
 - "Renters by choice"
 - Urbanism
 - Life style amenities
 - Concierge Service
 - Automated rent payments and web based maintenance requests
 - Business center
 - Cyber-café
 - Hot tubs / tanning booths

- ### Multifamily Transactions
- Per unit prices for multifamily properties have increased significantly since 2001
 - 2001, \$36,700
 - 2004, \$72,700
 - 2005, \$68,600
 - Number of units traded increased
 - 2001, 2,200 units
 - 2004, 4,000 units
 - 2005, 2,700 units



Multifamily Transactions (Continued)

- Tenants in common (TIC)
- Cap Rate Compression
 - Interest rates are low
 - Limited financial return alternatives for investments
- Financial returns significantly based on property appreciation



Opportunities / Cautions

- National perspective
- BRAC
- Interest rates
- Vacancy

Conclusion

- Multifamily economics remain strong
- Valuations questionable
- Watch fundamentals



Old Dominion University Hampton Roads Real Estate Market Review and Forecast 2006

Office Review – Don Crigger

Presented by:
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Office Market Review



Donald Crigger, CCIM
Senior Director, Office Properties
Adventis Real Estate Services Company

Directs the leasing operations for nearly 2.5 million square foot portfolio

Specializes in landlord and tenant representation, leasing and sales

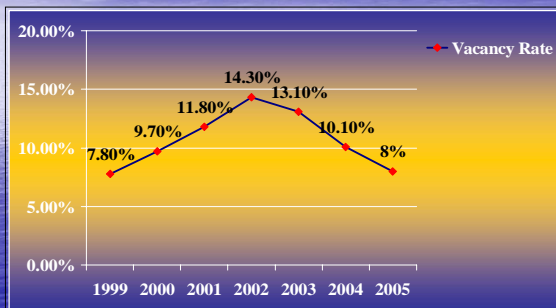
Since 1987, transaction volume exceeds \$225 Million

B.A. College of William and Mary

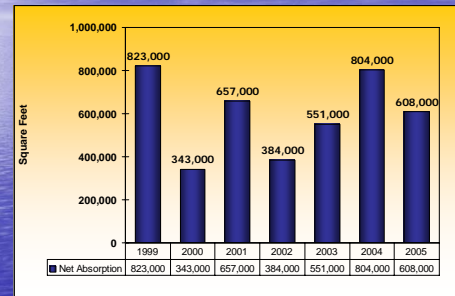
2006 Office Market Review

Presented by:
Donald R. Crigger, CCIM
Senior Director, Office Properties
GVA Adventis

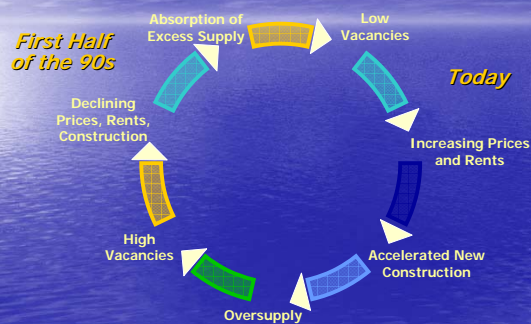
HAMPTON ROADS HISTORICAL VACANCY RATE TRENDS



HAMPTON ROADS HISTORICAL ABSORPTION TRENDS



The Real Estate Cycle



Landlord or Tenant Market?

- Scarcity of Choice Sites
- Rapidly Increasing Land Prices
- Construction Costs Up 25% to 30% (Since 2003)
- New Construction Rental Rates Up 15% to 20%
- Modest to Moderate Office Demand

Development Response to "Tight" Market

- Continued Measured Approach to Adding New Supply
- Limited Speculative Development Will Be Rewarded
- Larger Tenants Must Plan Further Ahead (18 to 24 months)
- Visuals – Architectural Plans and Renderings

AMERIGROUP Building



Fall 2006 Completion

The Gallery



April 2006 Delivery

Liberty Three



December 2006 Delivery

Innovation Research Park



Delivery Spring 2007

Trader Center



January 2007 Completion

Commander Corporate Center



Spring 2007 Delivery

Bridgeway Technology Center III



Summer 2006 Delivery

300 Exploration Way



Fall 2006 Delivery

One City Center



Delivery 2006

Office Market Forecast

- ↓ Vacancy Continues Gradual Decline ↓
- ↑ Rental Rates Will Surge Upward ↑
- ↑ Relatively Strong Net Absorption ↑
- ↑ LARGER Volume of New Construction Later in 2006 ↑

Old Dominion University Hampton Roads Real Estate Market Review and Forecast 2006

Retail Review - Christopher E. Rouzie



Presented by:
E.V. Williams Center
for Real Estate
and Economic Development



Retail Market Review



Christopher E. Rouzie
Senior Vice President
Thalhimer

Managing Broker for Thalhimer
Newport News

Specializes in Retail Site Selection
for National Retailers

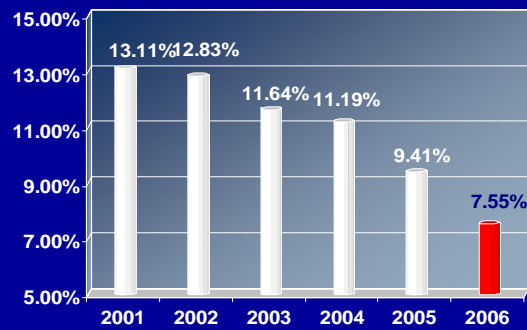
Recipient of the 2001, 2003, 2004
CREC Gold Award and Top
Hampton Roads Producer for
Thalhimer in 2001 and 2003

RETAIL MARKET REVIEW

Thalhimer

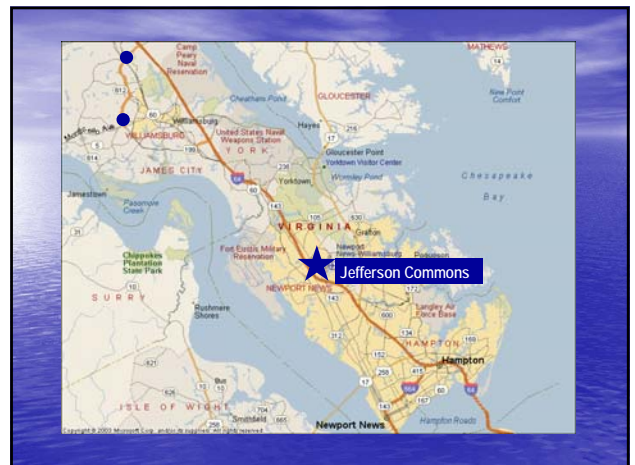
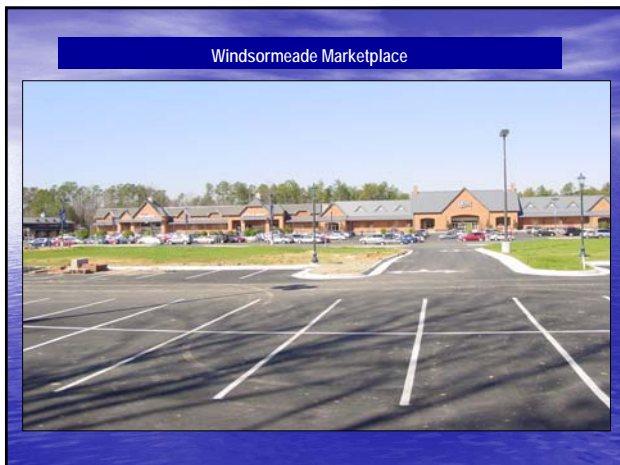
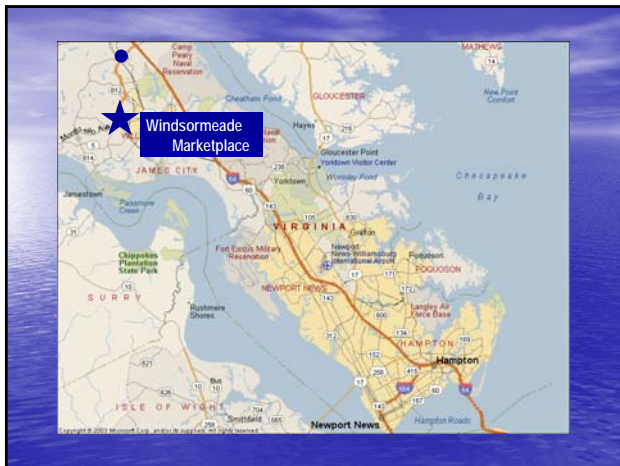
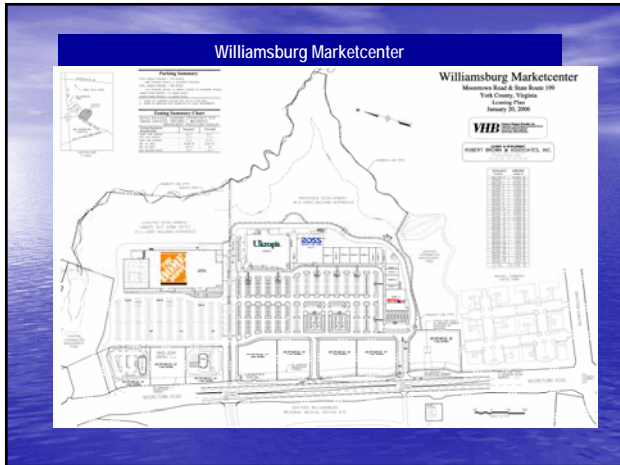


Hampton Roads - Retail Vacancy



New Projects





Jefferson Commons



Jefferson Commons



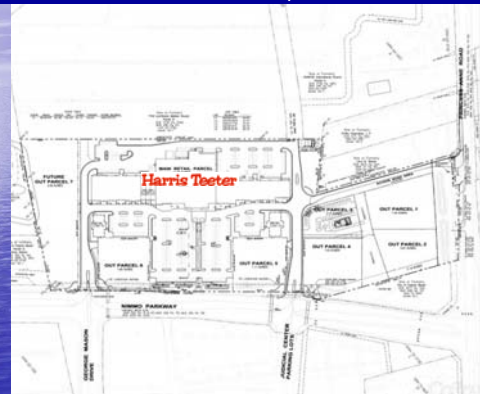
Patrick Henry Mall



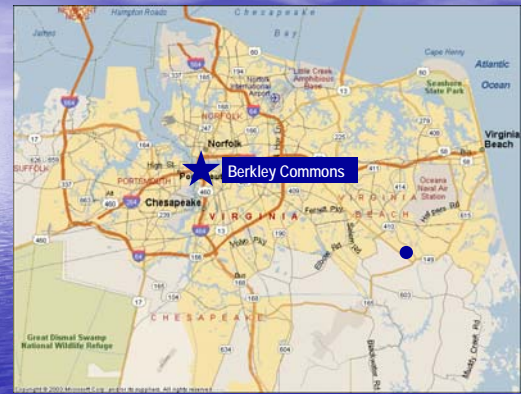
Courthouse Marketplace



Courthouse Marketplace



Courthouse Marketplace



Berkley Commons



Berkley Commons



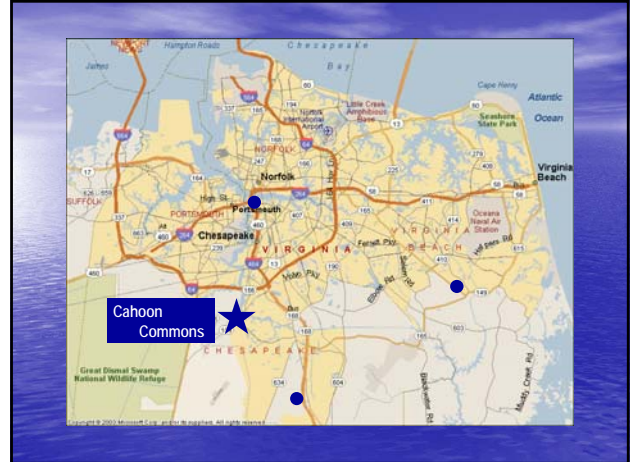
Edinburgh Commons



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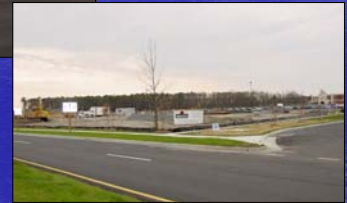
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Cahoon Commons



Cahoon Commons



Redevelopment

Mid-City Shopping Center - Portsmouth

Before



WAL-MART

After



Tidewater Shopping Center - Norfolk



WAL*MART®



Crossways Center - Chesapeake

Before



GRAND FURNITURE
Real Furniture For Real People.®

After



Crossroads Center at Chesapeake Square - Chesapeake



BEST BUY

OLD NAVY

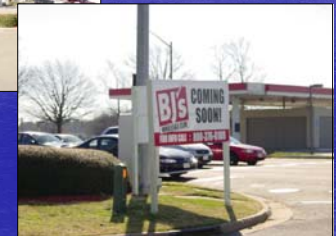
ROSS
DRESS FOR LESS



Janaf Shopping Center - Norfolk



B'S WHOLESALE CLUB®
Where values come to life.®



Power Plant - Hampton



B'S WHOLESALE CLUB®
Where values come to life.®



Shops at Yorktown - Yorktown

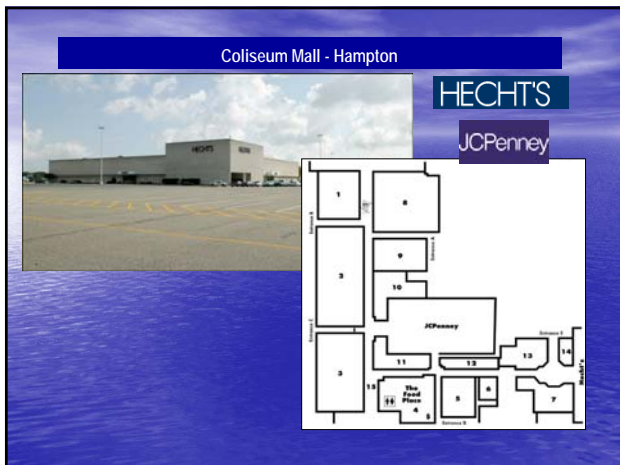
Before



Farm Fresh

After





Virginia Beach Town Center – Virginia Beach

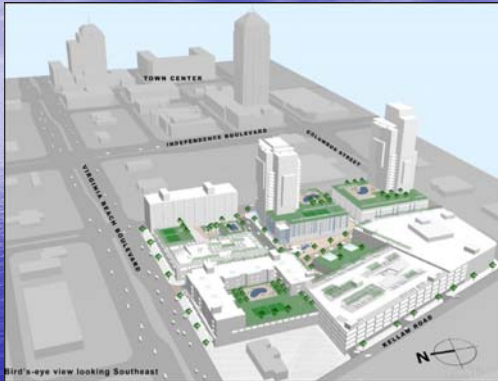


Dean Plaza – Virginia Beach

Before



City Walk at Virginia Beach – Virginia Beach



Towne Place at Greenbrier - Chesapeake



Harbour View Station Town Center - Suffolk

Harbour View Station Town Center
Developer: Landonomics
Exclusive Agent: Divaris Real Estate, Inc.



Pipeline



Old Dominion University Hampton Roads Real Estate Market Review and Forecast 2006

Industrial Review – Clay Culbreth

Presented by:
E.V. Williams Center
for Real Estate
and Economic Development




Industrial Market Review



Richard C. Culbreth, Jr., CCIM, SIOR
Senior Director, Industrial Properties
Advantis Real Estate Services Company

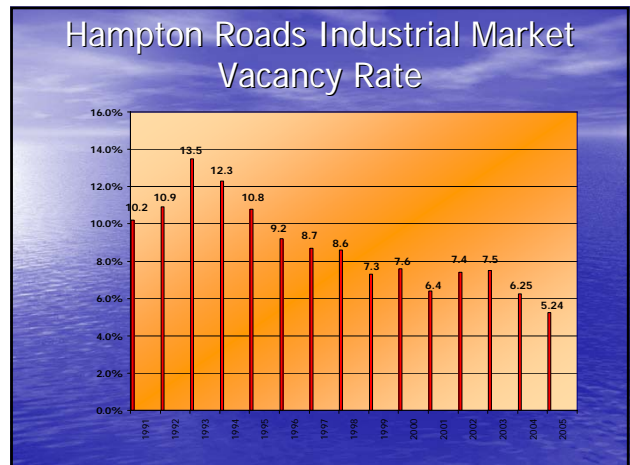
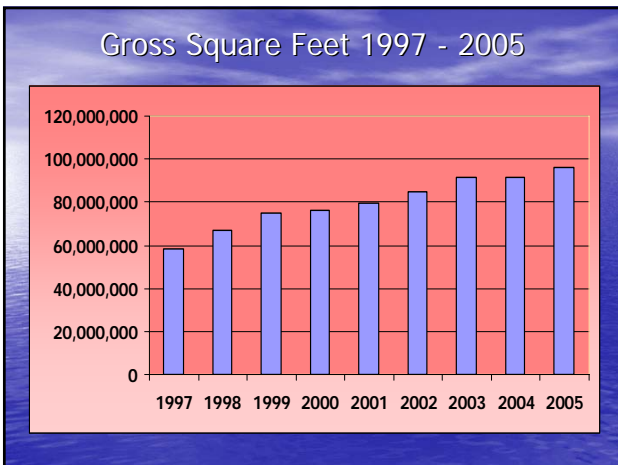
Since 1989 has concentrated exclusively on marketing, selling and leasing industrial properties.

1991 Co-founded Virginia Commercial Real Estate Services in Virginia Beach.

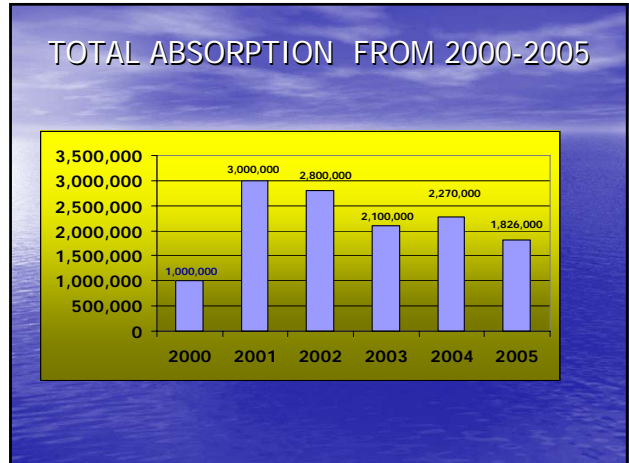
1995 formed Old Dominion Commercial Real Estate Services.

Since 1992 to present has been a Tidewater Associates of Realtors' Million Dollar Producer.

Ron Biesecker	Abe Ellis
Chip Worley	Bill Throne
Pat Mumey	Billy King
Worth Remick	Trip Ferguson
Charles Dickinson	Stephanie Sanker
Ken Benassi	Charles Dickinson
Bobby Beasley	



Submarket	2004 Vacancy Rate	2005 Vacancy Rate
Greenbrier	2.12%	1.13%
Bainbridge/S. Elizabeth River	5.60%	0.00%
Cavalier Industrial Park	8.14%	9.25%
Norfolk Commerce Park	2.91%	2.82%
Norfolk Industrial Park	4.07%	2.87%
West Side/Midtown Norfolk Area	6.43%	6.33%
Lynnhaven Area	3.31%	3.85%
Greenwich/Cleveland Street Area	2.45%	1.85%
Airport Industrial Park	3.39%	7.23%
Portsmouth	9.13%	23.04%
Suffolk	6.13%	4.72%
Isle of Wight	0.68%	0.00%
Copeland/Lower Peninsula	17.43%	8.80%
Oyster Point/Middle Point	5.13%	4.08%
Oakland/Upper Peninsula	7.39%	4.72%
Williamsburg Extended Area	6.88%	5.05%
Total	6.25	5.24






Gateway Building
(\$14.1 Million/\$33.44 per square foot)



Bay Warehouse
(\$13.2 million/ \$44.00 per square foot)



1920 Campostella Road

Ashley Capital Acquisition - 2005 GE Facility



Some Leases Worth Noting




Bridgeway Commerce Center




Ward Court



Gateway Distribution Facility

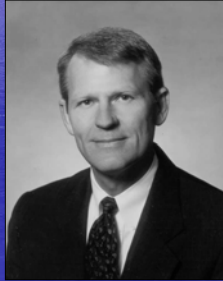


FIELD OF DREAMS
MOVIE SITE



If You Build It, They Will Come!

C. Jones Hooks, CEcD
President & CEO
Hampton Roads Economic
Development Authority



Russell Young
Director, Economic Development
Virginia Port Authority



Greedy Broker



The increase in port activity
will generate a need for "...
between 20 and 60 million
square feet of additional
distribution center space in
the region..."

Moffatt & Nichol Report dated June 2005

Modern Terminals



MIT North



Portsmouth Marine Terminal



Craney Island Build-Out 2032



Newport News Marine Terminal

Maersk Terminal Site



Craney Island



Industrial Developers Circling the Market



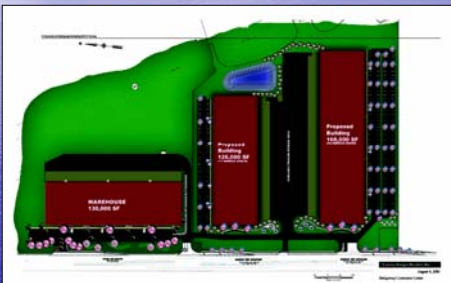
Devon's Enterchange at Suffolk



Devon's Enterchange at Hampton



Liberty Property Trust's Bridgeway Commerce Center



American Port Services' Northgate Commerce Park

Regional Companies' Virginia Regional Commerce Park



Ashley Capital's 2601 Indian River Road



Old Dominion University Hampton Roads Real Estate Market Review and Forecast 2006

Investment Review – Jonathan Guion



Presented by:
E.V. Williams Center
for Real Estate
and Economic Development



Investment Market Review



Jonathan S. Guion, SIOR
Senior Advisor
Sperry Van Ness

18 Experience in Commercial Real Estate
specializing in Industrial Properties and
Commercial Investment Sales

Sperry Van Ness is the third largest
commercial real estate investment
brokerage company in the nation

2005 Commercial Sales exceeded
\$6 Billion Dollars



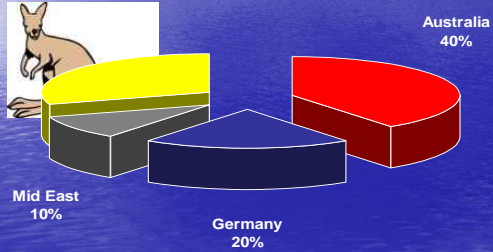
Investment Market

Jonathan Guion, SIOR
Sperry Van Ness

National Market Influences

- ❖ Inflow of Foreign Capital
- ❖ Interstate Flow of Capital
- ❖ Condo Conversion Rush

Inflow of Foreign Capital



Interstate Flow of Capital



Condo Conversion Rush



Hampton Roads Market

-
- ↕ Increase in portfolio sales
 - ↕ Increase in out-of-state buyers

For Sale

150 West Main St
Norfolk

\$50,500,000

SOLD

Hampton Roads Transactions

- ↕ Cedar Shopping Centers
 - ↕ \$93.8 million
- ↕ First Potomac Realty Trust
 - ↕ \$68 million
- ↕ Branscan Real Estate Opportunity Fund
 - ↕ \$25.5 million



Investment Market

Jonathan Guion, SIOR



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