

Hampton Roads debuts in national office report

By Pete Humes
pete.humes@insidebiz.com
Jul 5, 2016



Melissa Blue Ward
Stearns



Janet Shaughnessy



Bill Tiernan | The Virginian-Pilot
The waterfront in downtown Norfolk, as photographed Jan. 15, 2016.

We've made it.

The 2016 JLL Skyline Report says eight Hampton Roads towers rank among the most high-performing office buildings in the country.

The annual report is published by Jones Lang LaSalle and is driven by data collected from 52 markets in the United States and Canada. The focus is on the top end of the office leasing market.

For the first time, Hampton Roads has earned a spot on the list.

What does that mean exactly?

“Being included gives the region prominence and visibility,” said Deborah Stearns, senior vice president at JLL’s Hampton Roads office. “Making it to the big book is significant and adds another statistical tool to communicate that our region is improving.”

Highlighted in the 2016 report are eight office towers in Norfolk and Virginia Beach that are considered Trophy or Class A office properties. Norfolk properties featured include 150 West Main St., the World Trade Center, Dominion Enterprises Building, Wells Fargo center, Norfolk Southern Tower and Dominion Tower. Armada Hoffer Tower and 4525 Main Street represent Virginia Beach.

“Every building on this report has seen occupancy increase about two percent over the same point 12 months ago,” Stearns said.

Stearns added the Skyline tool is used by site selection specialists as they identify potential markets for companies that might be considering new locations or consolidation opportunities.

“Hampton Roads doesn’t have the name recognition of Charlotte or Raleigh/Durham or Atlanta,” Stearns said. “So bringing awareness to companies making decisions is a very important part of the economic development growth of the region.”

Hampton Roads has not experienced the same growth in demand for high-profile urban office space as other primary markets over the past few years, a JLL release stated. The reasons are noted as a combination of broad market trends (i.e. the rise of telecommuting and decline of storage requirements) and slow local growth connected to reduced defense spending.

“Many of the economic indices have been ranking Hampton Roads near the bottom of the economic recovery, particularly in terms of job growth,” Stearns said. “So putting out a report that illustrates our market is improving is very positive.”

While the release notes “most office absorption during the recovery has been in value-priced low-A to high-B suburban space,” there has been an increase in multifamily options both in downtown Norfolk and surrounding Virginia Beach Town Center.

“This is creating a sustainable live-work-play environment, and offers the kind of quality of life major corporations are seeking for their employees,” Stearns said.

Since most site selection begins with research into the local labor pool, having healthy business districts full of employable people is a definite plus. But in terms of new, Skyline-worthy towers, there is nothing planned for the immediate future.

The direct vacancy percentage for the properties in the report dropped from 12.1 percent to 10.3 percent between 2015 and 2016. Stearns said that number would have to dip below 10 percent for any new construction to make sense. “You only build big buildings if you have occupants for them,” Stearns said.

While seducing big companies is one way to supercharge the region, JLL researcher Michael Metzger is an advocate for focusing on our current assets.

“The very long game is organic growth for businesses that are already here,” Metzger said. “Growing our own is a development strategy that’s going to fill our buildings and enhance the quality of life and the economy of the region.” However Hampton Roads evolves – organically or by outside forces – Stearns is optimistic for the future. In the realm of commercial real estate, she sees continued steady growth.

She's excited about the momentum from the recent ADP deal and Movement Mortgage's decision to relocate in Military Circle. And she's looking forward to the prospect of \$350 million coming to the Port of Virginia from a state and federal bond package.

"The federal budget for 2017 looks very promising for this region." Stearns said. "The money allocated for the Port can have a phenomenal impact. It doesn't all occur at one time ... but you get the multiplier effect when that kind of money is being spent in the region."