

## **Recent Economic Activity Summary January 2007**

The City of Suffolk has experienced a strong increase in population growth from 2000-2006 and is expected to see a similar rapid pace of population growth over the next 20 years, according to the Hampton Roads Planning District Commission. The Northern Suffolk Development District is projected to encounter the greatest degree of growth due to the large tracts of land available for development, and its proximity and accessibility to major regional employment and commercial centers. The presence of Interstate 664, the Monitor-Merrimac Bridge Tunnel, and the James River Bridge provide convenient access to the entire Hampton Roads metro area from the northern part of the City. Significant new growth and revitalization is also occurring around the Greater Downtown Development District. In planning for growth and cost effective service delivery, the City has identified both of these areas as Urban/Suburban development districts in the 2026 Comprehensive Land Use Plan, adopted in March, 2006. With affordable, well-located office and industrial sites offering convenient access to major highways, two major regional airports, two railroads and close proximity to one of the busiest ports in the world at the Port of Virginia, the City of Suffolk is a highly desirable place to do business.

During calendar year 2005, there were 30 major office, industrial and commercial announcements totaling over \$120 million in new capital investment with over 650 new jobs. The grand opening of the new Hilton Garden Inn and Suffolk Conference Center occurred in March, 2005. This 150-room hotel and 14,000 square-foot conference facility has accelerated Suffolk's downtown renaissance. The development also includes a 6-acre public park, boardwalk, and 30-slip marina on the Nansemond River. The historic 1922 Suffolk High School has been renovated as the Suffolk Center for Cultural Arts, featuring a 500-seat theater which will accommodate a variety of dance, theatrical and musical performances. Under renovation throughout 2005 and the first half of 2006, they held their first performance in July, 2006 with the production of *The Tragedy of Carmen*.

Suffolk's small town charm and big city amenities are a rare combination. Our downtown offers a rich blend of historic attractions, art studios, small shops and a wide variety of dining establishments. During calendar year 2006, downtown Suffolk added 19 new businesses to include the Red Thread Studio, Primo 116 Restaurant, 1 Foot 2 Foot Spa and Medical Center and Uniquely Leo's Specialty Shop.

Northern Suffolk is seeing significant expansion of office space as it continues to develop into one of the major high-technology hubs of the Hampton Roads Region. With \$27 million slated from the Governor's office in 2006 to further promote Computer Modeling & Simulation (M&S) in the region, Suffolk's economic development efforts to attract more M&S activity will continue to flourish. The extension of the high-powered, high-capacity internet connection of the National LambdaRail in March 2006 will be another vital step towards realizing the potential of M&S in Suffolk and across the region.

The U.S. Joint Forces Command (JFCOM) now occupies over 635,000 square-feet of private sector office space in Northern Suffolk, and adjacent private sector defense contractors occupy another 250,000 square-feet. The U.S. Joint Forces Command JTASC building completed a major expansion adding 85,000 square-feet of office space to their existing 320,000 square-foot facility. In addition, the U.S. Joint Forces Command held a ribbon-cutting ceremony at the new Joint Technology Exploration Center (JTEC) building. This former warehouse building was converted into 100,000 square-feet of high tech office and research space. These military operation centers assess new defense systems via computer visualization, and model new battle strategies for the military. The center leverages research, development, testing, evaluation and demonstration initiatives to ensure that the latest technology supports the military's current operations and transformation initiatives. There are currently 50 people working within the building, with the potential to grow to 200 or more.

The Virginia Modeling, Analysis and Simulation Center (VMASC) completed their 20,000 square-foot expansion in Spring 2005 to include a "Battle Lab" to help the military test their new computer modeling and simulation technologies. VMASC is a joint effort between Old Dominion University (ODU), the Commonwealth of Virginia, the City of Suffolk, and over 170 private companies to help develop and test new applications for this developing technology. ODU recently announced the creation of a state-of-the-art center devoted to training and support for homeland security, emergency management command and management operations. The Emergency Management Training, Analysis & Simulation Center (EMTASC) will be housed within VMASC in Northern Suffolk.

Within Bridgeway Commerce Park, Bridgeway Technology Center has been a multi-phase office project. The first phase is a Class A single story 125,000 sq. ft. facility attracting tenants such as the U.S. Joint Forces Command, MITRE Corporation, General Dynamics, Map Mobile Communications and the newest tenant, Raytheon, will be occupying 22,000 square-feet in the building. Phase two is an additional 68,250 sq. ft. of Class A office, technology and R&D space. Current tenants within phase two include Science Applications International Corporation (SAIC), Lockheed Martin, Antheon, and the newest tenant, Applied Technology Systems (ATS). Construction was completed in September, 2006 for phase three which will add another 72,000 square-feet of Class A single-story office, technology and R&D space within Bridgeway Commerce Park. EchoStorm, a pioneer and innovator in the media distribution industry, announced their plans for a \$4 million expansion to become the first tenant in Bridgeway Technology Center III, making this their new 15,000 square-foot headquarters location. In addition, a new 92 room Courtyard by Marriott and 72 room TownePlace Suites will be opening in Northern Suffolk Spring 2007.

Another multi-phase project within Bridgeway Commerce Park is Bridgeway Commerce Center. This campus-like setting will feature three state-of-the-art warehouse/distribution/ light industrial buildings. Building one has been completed and is home to Dana Corporation and Capital Lightning & Supply. Building three, with a total of 165,000 square-feet was recently completed in September, 2006.

Other major announcements in calendar year 2005 included American Port Services with their plans for the development of two 150,000 square-foot warehouse & distribution buildings at Northgate Commerce Park. They should be ready for occupancy Second Quarter 2007. Western Branch Metals announced the purchase of 6.5 acres in Suffolk Industrial Park for development of a 44,000 square-foot office, and light industrial building. The company will invest approximately \$5.6 million dollars in this new facility, and bring 30 jobs to Suffolk for the production of stainless steel propeller shafts. This facility opened in September, 2006. Target Import Warehouse also announced the expansion of their 1.5 million square-foot facility by an additional 300,000 square-feet, which was completed November, 2005. In Suffolk Industrial Park, Empire Development opened a new 25,000 square-foot speculative office/flex building that is now 90% occupied. Another welcomed addition is the law firm of Pender & Coward, PC. They leased office space in historic downtown Suffolk in which to headquarter a regional office. Planters Peanuts also completed construction on a new 57,000 square-foot warehouse addition that will ship finished Planters products to other Kraft distribution centers across the United States.

Economic activity continued to flourish in 2006 with 33 major office, industrial and commercial announcements totaling over \$94 million in new capital investment with over 960 new jobs. Main Street Jazz Restaurant held a ribbon cutting ceremony for their new 110-seat restaurant in downtown Suffolk. In addition, Raytheon has leased 22,000 square-feet of space in Bridgeway Technology Center I, providing computer modeling, simulation and imaging services for the U.S. and NATO military forces. Ground was broken for the new Bennett's Creek Crossing Shopping Center in February 2006. This new 114,300 square-foot Farm Fresh-anchored shopping center is centrally located on Route 17 and will be home to numerous retail tenants offering a variety of services and merchandise like restaurants, banking, personal services and recreation equipment. MITRE Corporation celebrated 25 years of working with the Hampton Roads Military Community at their newly expanded office in Suffolk, VA. They recently expanded their Suffolk office from 6,000 square feet to 16,000 square feet in the Bridgeway Technology Center I office building. FLEXA Furniture broke ground on an 88,000 square-foot office, production and warehouse building in Suffolk Industrial Park producing children's furniture to be distributed throughout the United States. The big news during the first half of 2006 came when Old Dominion University (ODU) announced that they plan to develop two new facilities for the Virginia Modeling, Analysis and Simulation Center (VMASC) and an ODU Higher Education Center along the I-664 corridor. The ODU Center will be a full-service educational facility offering upper-level undergraduate classes, as well as graduate classes and certificate programs. HL Development will invest \$36 million building the first three buildings within this master-planned ten building office park known as the MAST Center Corporate Research Park.

During the second half of 2006, Unilever/Lipton Tea announced a new product line at their Suffolk facility. The total venture will result in a \$7 million capital investment in new manufacturing machinery and facility upgrades, and the hiring of 12 new employees. Echostorm, a pioneer and innovator in the media distribution industry, expanded their operations to the newly constructed Bridgeway Technology Center III, occupying 15,000 square feet bringing new capital investment of over \$4 million to Suffolk and the creation of 100 highly skilled engineering jobs.

Premier Fitness broke ground on a new first-class fitness center to be located in Northern Suffolk. They will lease one of the four new office buildings being constructed by BECO, investing approximately \$1.5 million in their new 13,000 square foot building.

According to the 2007 Hampton Roads Real Estate Market Survey conducted by the Old Dominion University Center for Real Estate and Economic Development and released February, 2007, the City of Suffolk has grown to become one of the largest concentrations of industrial space in the Hampton Roads region stretching from Virginia Beach to Williamsburg. Suffolk now has over 10.1 million square feet of industrial space in 113 buildings with a 8.99% vacancy rate as of January, 2007 versus a regional vacancy rate of 5.87%. Suffolk continues to be an attractive industrial submarket because of available land and ease of access to major highways into and out of the region. As of January 2007, Suffolk had 817,054 square feet of Class A and B office space with an 5.54% vacancy rate, versus a regional office vacancy rate of 7.98%. In addition, Suffolk has 1,038,148 square feet of retail space in 12 different neighborhood and community shopping centers with a 6.30% vacancy rate, versus a regional retail vacancy rate of 6.81%.

In Spring 2006 construction began on Phase II of the infrastructure improvements for Northgate Commerce Park opening up additional “shovel-ready sites” with full infrastructure in place for large industrial prospects. Construction also continued on Phase II of Suffolk Industrial Park, now home to nine industrial buildings totaling over 400,000 square feet. These industrial parks have both Virginia Enterprise Zone and U.S. Foreign Trade Zone status which offer significant State and local tax incentives, and favorable accounting procedures.

Industrial, office and major retail sites of all sizes remain available throughout the City. Suffolk has seen significant new interest from major warehouse/distribution developers due to the new Maersk/APM Port Terminal which is currently under construction in the City of Portsmouth and on track to open in July, 2007. There are two developments under construction: 1) Bridgeway Commerce Center: three buildings totaling 425,000 square feet, and 2) Northgate Logistics Center: two buildings totaling 300,000 square feet. In addition three new developments have been announced: 1) Enterchange at Suffolk: two buildings totaling 915,000 square feet, and 2) Virginia Regional Commerce Park: four buildings totaling 1,000,000 square feet, and 3) Virginia Commerce Center: three buildings totaling 1,300,000 square feet. Clearly the future is bright for economic activity across the City of Suffolk.