MARKETBEAT
HAMPTON ROADS, VA
OFFICE Q3 2024

CUSHMAN & WAKEFIELD
THALHIMER

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
9.8% Vacancy Rate	▲	▼
277.8K YTD Net Absorption, SF	▲	▲
$22.39 Asking Rent, PSF	▲	—

(Overall, All Property Classes)

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
821.7K Hampton Roads MSA Employment	▲	▲
3.0% Hampton Roads MSA Unemployment Rate	—	▲
4.1% U.S. Unemployment Rate	▲	▼

Source:BLS

ECONOMY: STRENGTH OF THREE PILLARS VS HEADWINDS

Hampton Roads' three economic pillars—defense, the Port of Virginia, and hospitality—have remained strong since the pandemic. Defense spending is expected to surpass $1 trillion by the end of the decade, driven by global conflicts. Although Port of Virginia cargo traffic dipped 5.2% in 2023, it outperformed nearly every other U.S. port, with TEUs per vessel up 12.5% by mid-2024. In hospitality, the region continues to excel, leading in supply, demand, and Revenue per Available Room (RevPAR) compared to peers. Heading into 2025, key headwinds to watch include defense budget impacts from the federal election, an affordable workforce housing shortage, an aging population with slowing growth, and limited job creation in the private sector.

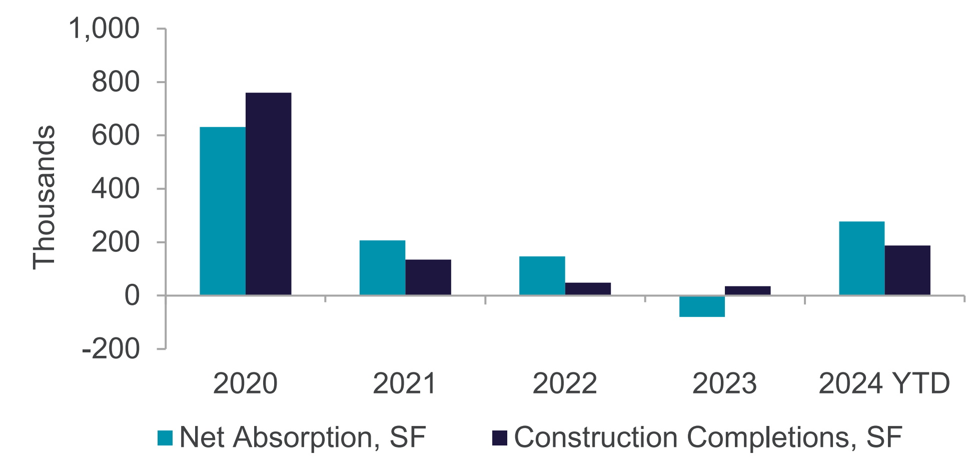
SUPPLY AND DEMAND: QUALITY WINS

Demand remains strong for high-quality buildings, particularly in Virginia Beach Town Center and Oyster Point, with little new construction and limited supply in the pipeline. Vacancy remains low compared to peer regions, while absorption lags behind aspirant regions. However, rents are steadily rising, bolstered by limited inventory and strong demand, especially in the medical sector. Landlords, particularly outside Downtown Norfolk, are confidently pushing rents. Soft submarkets like Greenbrier, Downtown Norfolk, and Central Hampton have seen positive absorption quarter-over-quarter (QOQ), driven in large part by public sector activity, with the City of Norfolk leasing 48,000 and 15,000 square feet (sf) and the City of Virginia Beach purchasing a 65,000-sf building.

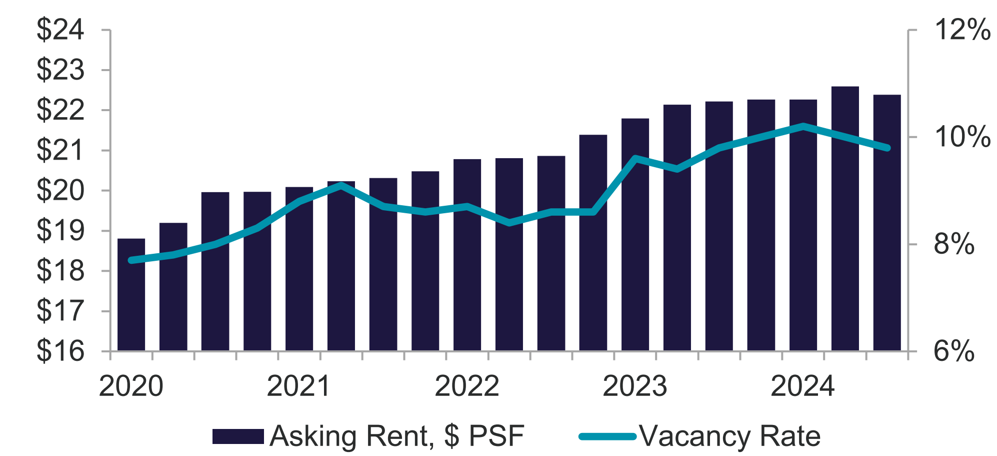
FORECAST: 2025 OUTLOOK

Even though Hampton Roads office vacancy remains in single digits, there are signs that vacancy has peaked. Expectations are that vacancy will decline in the coming quarters, with light but steady absorption, and asking rents will continue to rise. Obsolete office products will increasingly be repurposed for higher and better uses, further tightening available inventory. Downtown Norfolk will require significant investment and redevelopment, as well as a long-term strategy for addressing parking costs in the post-pandemic, modified work week. Central Hampton, another soft submarket, must innovate by incorporating residential conversions into its planned business parks to reduce inventory. A key example for the region is the potential redevelopment of the Ferguson HQ buildings in Newport News into retail space. The removal of 200,000 sf of quality office space from the market will continue to support healthy overall market fundamentals.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Chesapeake	4,542,814	42,101	418,660	8.5%	-3,489	118,689	108,968	26,197	$21.54	$21.17
Gloucester	130,674	0	773	0.4%	0	0	0	100,000	N/A	N/A
Hampton	3,282,610	11,023	336,991	9.2%	550	12,996	48,759	0	$16.59	$16.20
Harborview/Western Branch	1,362,351	0	69,546	5.3%	-6,638	2,560	39,164	0	N/A	N/A
Newport News	6,447,760	0	704,193	8.6%	-71,351	-49,760	89,152	0	$21.26	$22.24
Norfolk	8,212,834	38,267	914,851	9.6%	108,092	140,238	227,911	0	$24.52	$26.22
Portsmouth	862,635	3,155	40,323	3.4%	671	-1,190	2,929	0	$18.19	$18.96
Suffolk	1,001,895	0	18,545	1.6%	3,388	166	4,480	0	$28.00	N/A
Virginia Beach	9791877	58,213	936,422	8.2%	63,655	-18,803	361,327	0	$22.51	$24.28
Williamsburg	1,260,685	0	34,294	2.3%	55,332	78,360	29,134	0	$20.36	N/A
York	414,144	340	18,878	3.6%	11,121	-5,452	6,557	0	$19.54	$19.00
HAMPTON ROADS TOTALS	**37,310,279**	**153,099**	**3,493,476**	**9.8%**	**161,331**	**277,804**	**918,381**	**126,197**	**$22.39**	**$23.47**

**Rental rates reflect full service asking*

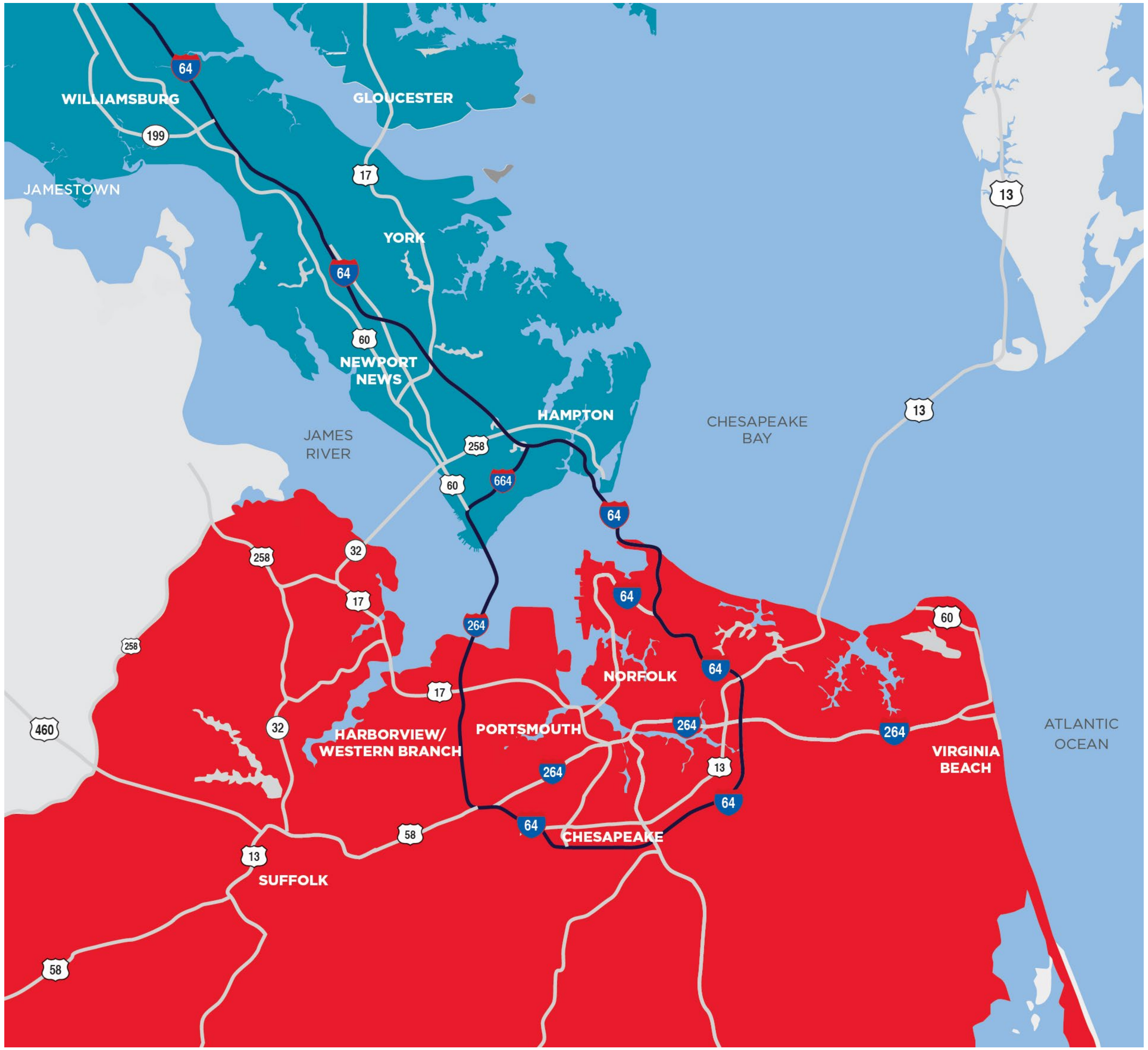
KEY LEASE TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
835 Glenrock Road	Norfolk	City of Norfolk	48,000	New Lease
948 Laskin Road	Virginia Beach	Truist	37,532	Renewal
530 Independence Parkway	Chesapeake	Stratas Corp	16,462	Renewal
500 East Main Street	Norfolk	City of Norfolk	14,864	New Lease

KEY SALE TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / $ PSF
500 Studio Drive	Virginia Beach	Michels Family, LLC / City of Virginia Beach	65,700	$14.3M / $217
5801 Lake Wright Drive	Norfolk	5801 Lake Wright Drive, LLC / Wrj Lw, LLC	47,690	$5.4M / $113
601 Thimble Shoals Boulevard	Newport News	601 Partners, LLC / Bishard Development Corporation	29,751	$4.0M / $136

OFFICE SUBMARKETS



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