

MARKET FUNDAMENTALS

	YOY Chg	Outlook
9.7% Vacancy Rate	▲	▼
402.0K YTD Net Absorption, SF	▲	▲
\$22.17 Asking Rent, PSF <small>(Overall, All Property Classes)</small>	▲	▬

ECONOMIC INDICATORS

	YOY Chg	Outlook
826.5K Hampton Roads Employment	▲	▲
3.1% Hampton Roads Unemployment Rate	▼	▲
4.2% U.S. Unemployment Rate	▲	▲

Source:BLS

ECONOMY: WORKFORCE HOUSING SHORTAGE

In November, Governor Youngkin signed and executed Executive Order 42 which launches the Workforce Housing Investment Program. Hampton Roads has been hit particularly hard with a limited inventory of workforce housing impacted by some of the same real estate fundamentals keeping office and industrial supply in check. There is a shortage of developable land because of geographic constraints, weak soils, and challenging municipal zoning and planning. As the market continues to have GDP growth that mirrors national growth, job growth continues to struggle compared to competitive peer markets. The cost of housing continues to outpace wage growth locally, prompting employees and employers to seek new opportunities elsewhere.

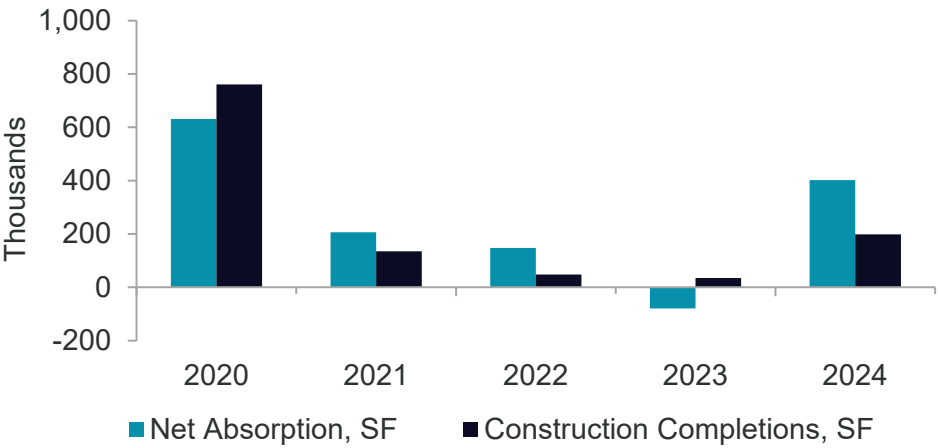
DEMAND: MATCHING INVENTORY WITH DEMAND

The Wall Street Journal recently commented that across the country in major metro markets, occupiers are having a tough time finding high quality space even in markets with vacancy over 20%. In Hampton Roads, with single digit vacancy, this has been an ongoing trend. Hampton Roads office rents, even before the pandemic, have not justified development costs for new construction so supply growth has been negligible even over the previous cycle. Obviously with the pipeline completely dry, new supply has no ability to come online in the next two to three years. Small, one-off medical office development will be the only new construction to come out of the ground. Base rents in the mid \$30 per square foot (psf) range are required to justify new construction which will require medical occupiers to readjust rent ceiling perceptions if these deals ultimately pencil.

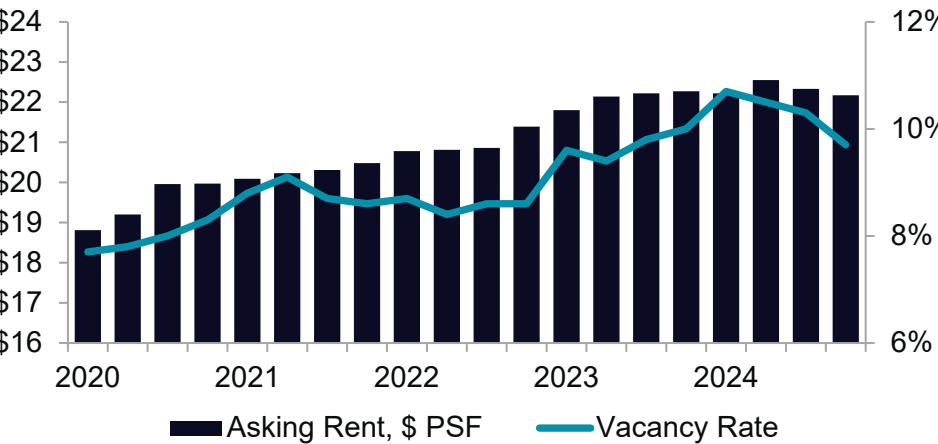
PRICING: MORE OF THE SAME

Rising rents, decreasing vacancy, and landlord favorable markets are all signs of a recovering local office market. Net absorption however will be the key indicator in the true strength of the market. There are several institutional office occupiers out in the market looking for big blocks of space. If these deals land, the vacancy rate in the market will drop quickly. Increasing tenant improvement costs will continue to be the sticking point on every deal, but ultimately occupiers will be required to sign longer term deals at increase rents.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET 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	4,461,074	460,566	44,463	11.3%	-53,309	105,176	215,215	0	\$21.54	\$21.05
Gloucester	130,674	773	0	0.6%	0	0	0	100,000	N/A	N/A
Hampton	3,244,741	242,180	11,023	7.8%	79,089	79,323	96,286	0	\$16.34	\$16.15
Harborview/Western Branch	1,240,147	70,583	0	5.7%	-3,402	-64	83,887	0	N/A	N/A
Newport News	5,847,088	653,769	0	11.2%	11,259	-29,553	170,145	0	\$21.31	\$22.11
Norfolk	8,155,511	915,623	44,642	11.8%	37,861	128,584	326,162	0	\$24.40	\$26.28
Portsmouth	836,571	38,154	3,155	4.9%	-2,049	-3,239	37,623	0	\$18.08	\$18.08
Suffolk	815,754	18,517	0	2.3%	28	194	8,208	0	N/A	N/A
Virginia Beach	9,252,869	844,115	62,683	9.8%	105,233	66,582	558,267	0	\$22.31	\$24.35
Williamsburg	1,200,293	32,802	0	2.7%	-4,484	59,239	72,506	0	\$20.28	N/A
York	339,880	18,878	340	5.7%	0	-4,206	4,977	0	\$19.47	\$19.31
HAMPTON ROADS TOTALS	35,524,602	3,295,960	166,306	9.7%	170,226	402,036	1,573,276	100,000	\$22.17	\$22.34

\*Rental rates reflect full service asking

\*\*UC was revised and is not reflective of U.S. Office MarketBeat

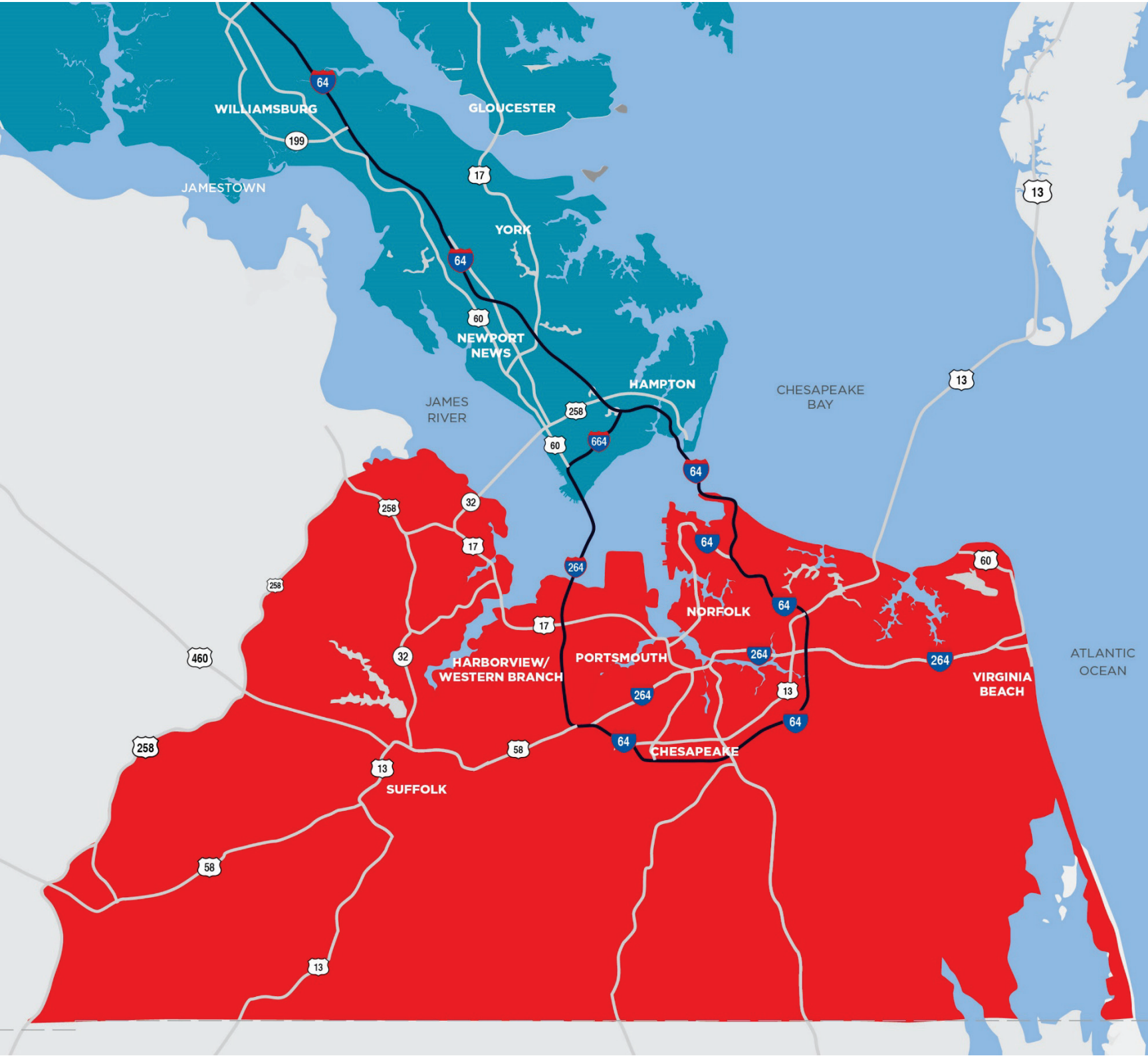
KEY LEASE TRANSACTIONS Q4 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
8030 Harbour View Boulevard	Harbourview	Peraton	17,130	Renewal
514 Butler Farm Road	Hampton	Team Fishel	14,872	New
2901 Sabre Street	Virginia Beach	NAG, LLC	14,841	New
11850 Canon Boulevard	Newport News	Aireco Supply, Inc.	13,718	New

KEY SALE TRANSACTIONS Q4 2024

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
100 Exploration Way	Hampton	SGP 100 Quad, LLC / City of Hampton	59,931	\$3.9M / \$64
596 Lynnhaven Parkway	Virginia Beach	JRC II, LLC / Urology of Virginia	32,190	\$5.0M / \$155
389 Edwin Drive	Virginia Beach	Ainslie Group / DaVita	10,000	\$1.8M / \$180

OFFICE SUBMARKETS



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