

MARKET FUNDAMENTALS

	YOY Chg	Outlook
10.0% Vacancy Rate	▼	▼
-26.9K YTD Net Absorption, SF	▲	▲
\$22.42 Asking Rent, PSF <i>(Overall, All Property Classes)</i>	▲	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
826K Hampton Roads Employment	▲	▲
3.2% Hampton Roads Unemployment Rate	▲	▲
4.1% U.S. Unemployment Rate	▲	▲

Source:BLS

ECONOMY: TARIFFS

It is challenging to avoid the topic of tariffs across the national economy, but when trade through the Port of Virginia is one of the major pillars of the local economy, the potential impact needs to be addressed. 2024 was a nice rebound year for the Port with exports totaling \$21.8 billion of goods which contributed to 87,000 jobs throughout the Commonwealth according to the Office of the U.S. Trade Representative. The ripple effects of tariffs spread across the entire local economy including military and commercial shipbuilding, the local automotive industry, the commercial and residential construction trades, offshore wind development, and even local agriculture. Hampton Roads’ leading employers including Huntington Ingalls Industries (HII), Dollar Tree, Ferguson, Smithfield, Sthil, and the Department of Defense are all watching closely.

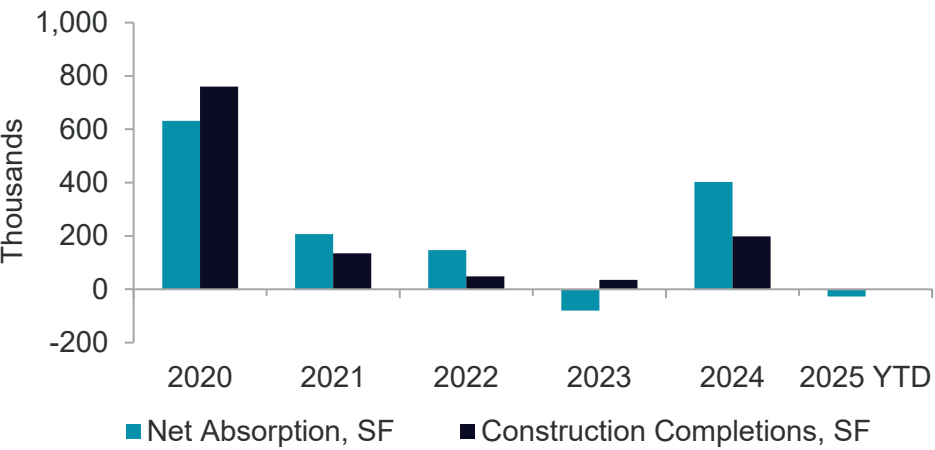
DEMAND: BIG BLOCK USERS & BIG BLOCK INVENTORY

There are several big block users active in the market currently and finalizing relocation plans across Hampton Roads. While this is not necessarily organic growth from outside of the market, it does represent future positive absorption. Cox Communications, USAA, Virginia Natural Gas, HII, Booz Allen Hamilton, and Armada Hoffer are all actively engaged in expansion/relocation, to name a few. In Hampton Roads, a market with flat-line supply, these users will push vacancy down in 2025 as remaining big block opportunities such as 240 Corporate, the former Ferguson headquarters on Jefferson, and Liberty Office Park opportunities are absorbed. The construction pipeline will remain dry throughout 2025 and 2026 so vacancy will continue to decrease. Pricing will continue to increase as tenant improvement costs increase and inventory tightens.

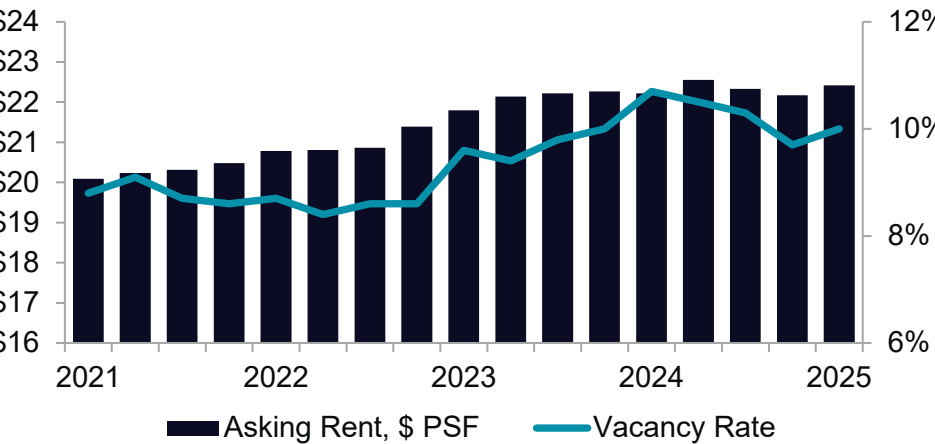
PRICING: POSITIVE ABSORPTION

Although absorption numbers were slightly negative in the first quarter, the rest of 2025 should welcome in positive absorption across the market. Rising rents, decreasing vacancy, and landlord favorable markets will all compete with the potential impact of tariffs in the local economy. Quality will continue to win. Landlords that are willing to spend the most capital on tenant upfit will land prospects the quickest even at higher rental rates than the market has historically been able to achieve.

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	4,448,422	431,271	54,016	10.9%	26,113	26,113	43,169	0	\$21.72	\$21.70
Gloucester	130,674	773	0	0.6%	0	0	0	100,000	N/A	N/A
Hampton	3,085,248	254,417	16,373	8.8%	-10,019	-10,019	39,019	0	\$16.77	\$16.31
Harborview/Western Branch	1,240,147	67,422	8,565	6.1%	-5,079	-5,079	7,015	0	\$25.26	\$22.11
Newport News	5,845,149	675,532	0	11.6%	-7,808	-7,808	24,685	0	\$21.04	\$22.06
Norfolk	8,139,710	933,909	43,439	12.0%	-4,706	-4,706	36,968	0	\$24.70	\$26.40
Portsmouth	836,571	35,279	3,155	4.6%	7,093	7,093	1,078	0	\$17.89	\$18.93
Suffolk	803,754	18,517	0	2.3%	0	0	0	0	N/A	N/A
Virginia Beach	9,191,350	873,646	54,873	10.1%	-50,163	-50,163	168,144	0	\$22.58	\$24.49
Williamsburg	1,200,293	25,384	0	2.1%	18,275	18,275	6,693	0	\$21.83	N/A
York	339,880	20,677	340	6.2%	-639	-639	0	0	\$21.73	\$24.22
HAMPTON ROADS TOTALS	35,261,198	3,336,827	180,761	10.0%	-26,933	-26,933	326,771	100,000	\$22.42	\$23.65

*Rental rates reflect full service asking

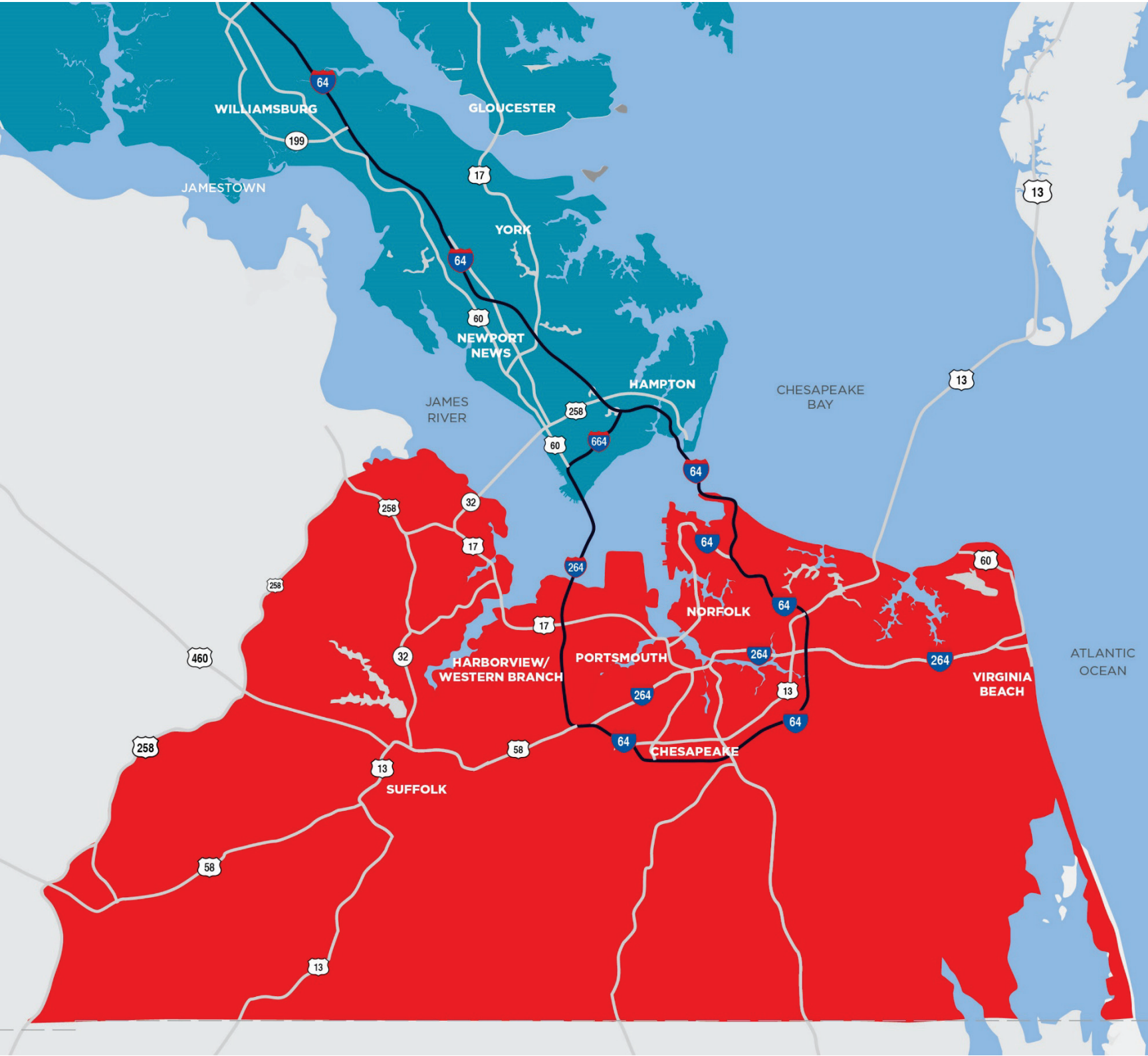
KEY LEASE TRANSACTIONS Q1 2025

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Convergence Center	Virginia Beach	South University	27,468	Renewal
283 Constitution Drive	Virginia Beach	Armada Hoffler	19,335	Relocation
770 Lynnhaven Parkway	Virginia Beach	Century Concrete	15,955	New
222 Central Park Avenue	Virginia Beach	Trader Interactive	12,000	New

KEY SALE TRANSACTIONS Q1 2025

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
Heritage Capital Portfolio	Chesapeake	DSC Partners, LLC / Heritage Capital	175,456	\$16.9M / \$96
120 S. Lynnhaven Road	Virginia Beach	Edge Realty / Beach Ford	12,000	\$1.6M / \$133
1632 Virginia Beach Blvd	Virginia Beach	Born Primitive / Dignity Funeral Services	6,000	\$2.0M / \$333

OFFICE SUBMARKETS



ROB WRIGHT
Senior Vice President
Tel: +1 757 499 2896
rob.wright@thalhimer.com

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