

MARKET FUNDAMENTALS

	YOY Chg	Outlook
5.8% Vacancy Rate	▲	▲
-706.5K YTD Net Absorption, SF	▲	▼
\$8.94 Asking Rent, PSF <i>(Overall, Net Asking Rent)</i>	▼	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
822.9K Hampton Roads MSA Employment	▲	▼
3.6% Hampton Roads MSA Unemployment Rate	▲	▲
4.2% U.S. Unemployment Rate <i>Source: BLS</i>	▲	▲

ECONOMY: DEFENSE CONTRACTOR FOCUS

The region has seen an influx of activity from defense contractors both large and small, looking to establish operations in the Hampton Roads region with the majority connected to Newport News Shipbuilding (NNS). A division of HII, NNS is a key partner in the construction of Columbia-class nuclear-powered submarines, handing the manufacturing and delivery of major module sections. AUKUS, the security partnership between the U.S. and UK focused on helping Australia acquire these types of nuclear-powered submarines, has led UK-based and Australian contractors specifically to seek space in the market.

SUPPLY AND DEMAND: INCREASED VELOCITY FORECAST

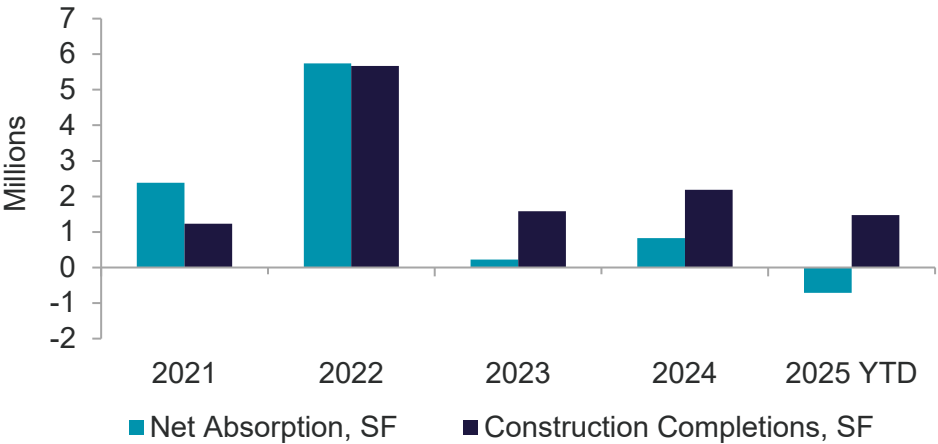
Overall vacancy hit 5.8% at the mid-year mark, an increase of 70 basis points (bps) quarter-over-quarter (QOQ) and a jump of 220 bps year-over-year (YOY) as speculative (spec) deliveries have edged absorption. Year-to-date (YTD) leasing activity has topped 1.6 million square feet (msf) with tenant and prospect activity up since the start of the summer. Requirements in the range of 20,000 to 50,000 square feet (sf) have ticked up significantly with multiple big box requirements circling the market in the range of 200,000 to 1 msf. Several large new-to-market deals have been inked in the first half of the year including 149,040 sf leased to CEL Critical Power and 149,685 sf to US eLogistics.

With upward pressure on vacancy, developers are beginning to reevaluate spec construction, and some have elected to pause development. Large blocks of newly built product remain available including Northpoint's 540,000 sf on the Peninsula, more than 900,000 sf in two buildings at Coastal Logistics Center, and 342,000 sf at Virginia Commerce Center. Nearly 2.6 msf of spec projects are currently underway throughout the market, including the 352,000 sf in the 460 Commerce Center in Isle of Wight, scheduled to deliver early in the third quarter.

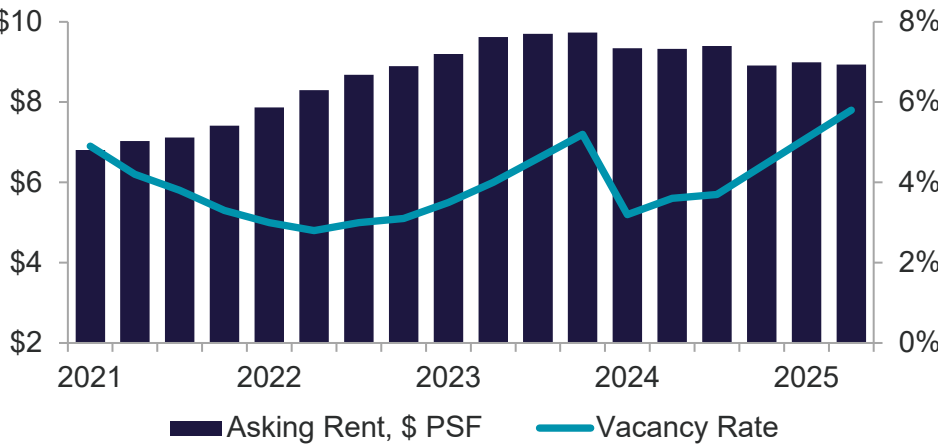
PRICING: DOWNWARD PRESSURE

The increase in available product over the past several quarters has created downward pressure on quoted rates. Warehouse rents have remained effectively flat QOQ while manufacturing rates have increased 3.4% since the first quarter. The appetite for quality product remains healthy on the sale side. The limited product offerings continue to move quickly with sellers often fielding multiple offers on buildings.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
Copeland	12,470,946	860,795	6.9%	-25,800	-4,077	506,532	594,230	\$8.58	\$10.00	\$9.60
Gloucester	280,750	0	0.0%	0	0	0	0	-	-	-
Oakland	4,813,955	76,500	1.6%	-2,500	43,716	0	43,500	-	-	-
Oyster Point	4,661,379	182,251	3.9%	-134,232	-117,065	0	0	\$10.71	\$12.76	\$9.72
Williamsburg	8,964,576	457,998	5.1%	-3,000	-31,927	47,000	0	-	-	\$7.57
PENINSULA TOTALS	31,191,606	1,577,544	3.5%	-165,532	-109,353	553,532	637,730			
Airport Industrial Park	3,744,957	246,200	6.6%	111,825	111,086	0	0	-	-	\$8.48
Bainbridge	10,595,826	198,685	1.9%	-57,499	-54,547	243,750	19,200	\$13.00	\$12.40	\$12.38
Cavalier	7,229,517	856,764	11.9%	-18,096	-71,349	0	0	-	-	\$10.51
Central Norfolk	5,359,297	186,101	3.5%	45,595	32,972	0	0	-	\$11.72	\$8.82
Cleveland	2,584,715	64,954	2.5%	-13,499	10,213	0	0	\$11.53	\$13.19	\$12.74
Greenbrier	2,691,861	350,714	13.0%	-170,192	-173,546	0	0	\$9.00	\$15.00	\$6.93
Isle of Wight	4,368,632	126,078	3.0%	-126,078	-87,078	352,000	0	-	-	-
Lynnhaven	9,366,622	119,622	1.3%	2,597	29,877	1,105,000	0	\$12.45	-	\$12.47
Norfolk Industrial Park	7,569,928	500,850	6.6%	-233,794	-289,414	0	0	\$9.95	-	\$10.31
North Suffolk	2,627,153	8,000	0.3%	0	-8,000	0	0	-	-	-
Portsmouth	4,867,854	317,153	6.5%	-59,564	-314,552	0	0	\$11.00	\$10.95	\$8.03
South Suffolk	22,195,606	2,185,206	9.8%	-98,976	212,904	1,710,442	815,464	\$8.50	-	\$6.31
West Norfolk	2,401,093	92,126	3.8%	-44,599	4,335	0	0	-	\$13.50	\$10.30
SOUTHSIDE TOTALS	85,603,061	5,252,453	5.4%	-662,280	-597,099	3,411,192	834,664			
HAMPTON ROADS TOTALS	116,794,667	6,829,997	5.8%	-827,812	-706,452	3,964,724	1,472,394	\$10.09	\$12.40	\$8.61

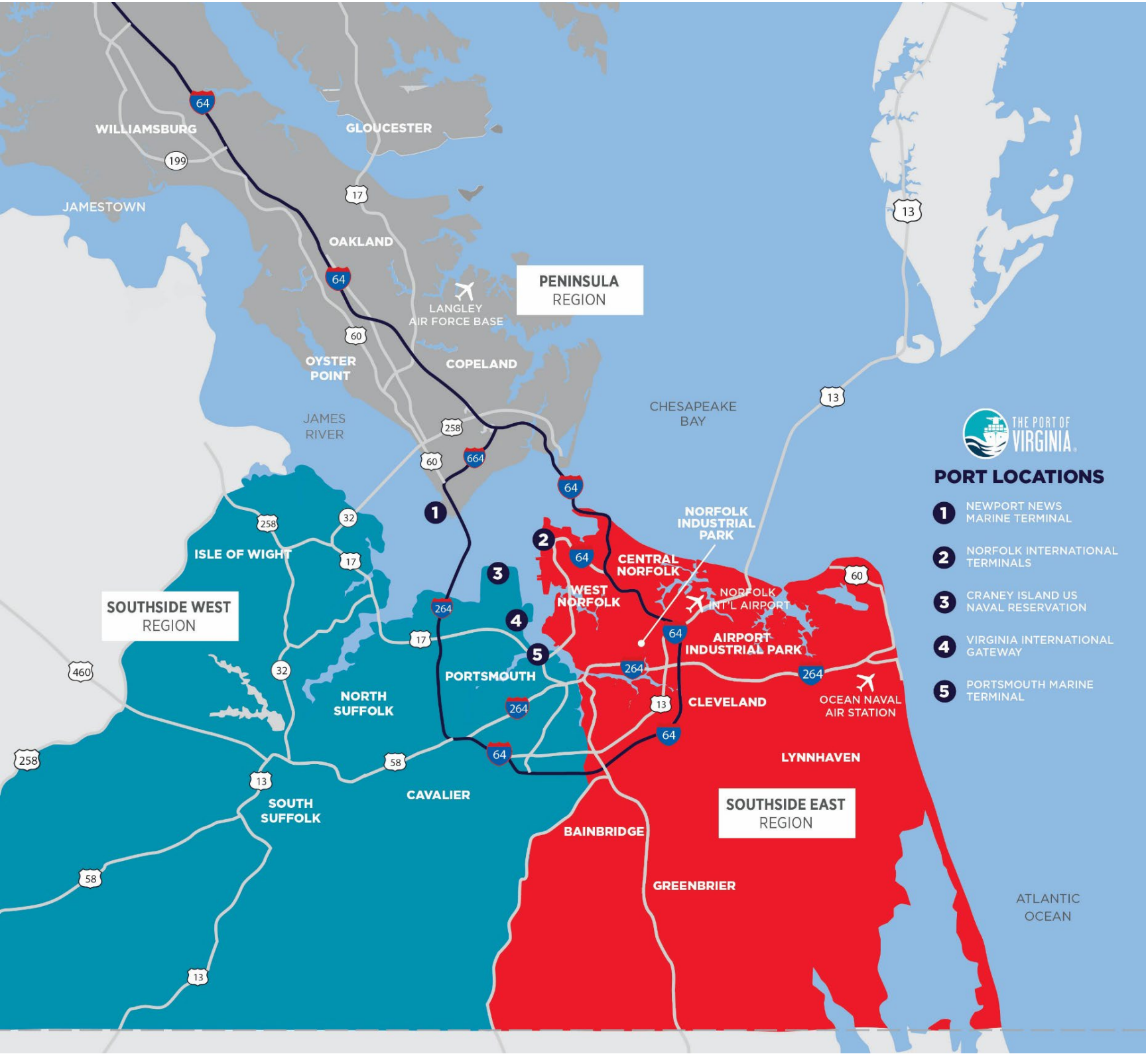
KEY LEASE TRANSACTIONS Q2 2025

PROPERTY	SUBMARKET	TENANT	SF	TYPE
6701 College Drive (Branchway Business Center)	North Suffolk	Huntington Ingalls Industries	488,000	Renewal
700 Carolina Road (Coastal Logistics)	South Suffolk	Trans-National Express	358,738	New
1637 Green Mount Pkwy (Greenmount Logistics Center)	Williamsburg	CEL Critical Power	149,040	New
3321 E. Princess Anne Road	Norfolk Industrial Park	Land 'N' Sea Distributing	115,680	New

KEY SALE TRANSACTIONS Q2 2025

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
1228 & 1300 Cavalier Blvd (Portfolio)	Cavalier	Southern Atlantic Properties LC / B&D Holdings	68,450	\$6.0M / \$88
220 Picketts Line	Oakland	Grant Investment Management, LLC / DDS of Newport News LLC	48,800	\$5.9M / \$120
525 J. Clyde Morris Boulevard	Oyster Point	Hampton Roads Crane & Rigging Co / 1850 Crane & Steel Landco LLC	32,000	\$3.4M / \$107

INDUSTRIAL SUBMARKETS



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