

MARKET FUNDAMENTALS

	YOY Chg	Outlook
5.6% Vacancy Rate	▼	▼
1,567 YTD Net Absorption, units	▲	▲
\$1,585 Effective Rent, per unit <small>(Overall, All Property Classes)</small>	▲	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
822.9K Hampton Roads MSA Employment	▲	▼
3.6% Hampton Roads MSA Unemployment Rate	▲	▲
0.7% Hampton Roads MSA Population Growth <small>Source: BLS</small>	▲	▲

ECONOMY: REGIONAL DEVELOPMENT NEWS

Major development announcements dominated the headlines during the second quarter in industries ranging from healthcare to distribution and exports. Bon Secours opened its new \$80 million Harbour View Medical Center in Suffolk, and Norfolk State University broke ground on a new \$118 million science building. Virginia Natural Gas broke ground on a \$50 million Chesapeake headquarters campus, which will create 100 new jobs, and MS International opened its \$61.6 million East Coast distribution center in Suffolk, totaling more than 548,000 square feet (sf) and creating 80 new jobs. Regional population numbers continue to rise, now approximately 1.8 million people total, and the area ranks in the country’s top 15% of metro areas based on population size.

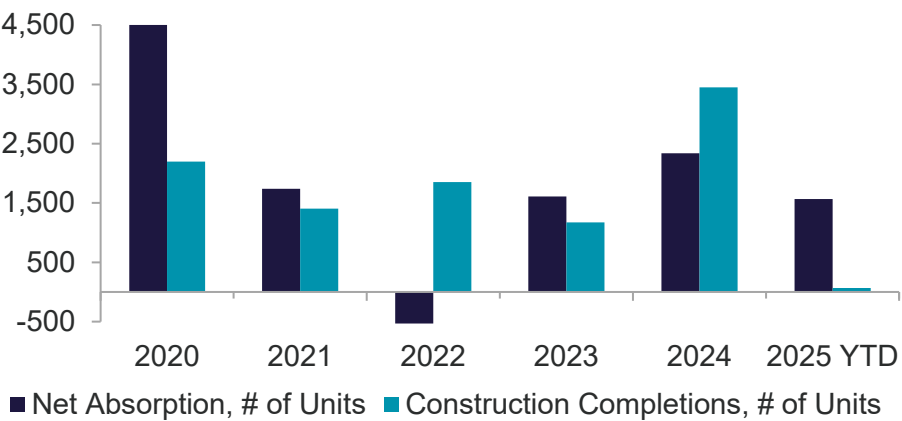
SUPPLY AND DEMAND: ABSORPTION NUMBERS RISE

Overall vacancy closed the second quarter at 5.6%, a drop of 60 basis points (bps) quarter-over-quarter (QOQ), and down 90 bps year-over-year (YOY). Elevated mortgage rates and persistent single family inventory shortages have contributed to sustained demand as the differential cost between renting and owning continues to climb. Absorption has hit 3,905 units since the start of 2024 with 3,518 units delivered in the same timeframe. The active construction pipeline is down 32.0% YOY with only one groundbreaking since the start of the year. More than 1,600 units are scheduled for delivery before the end of 2026 based on active developments. The majority of the current development pipeline is in the Southside region with only one project underway on the Peninsula. Virginia Beach is home to the largest share of development projects with 50% of units currently under construction.

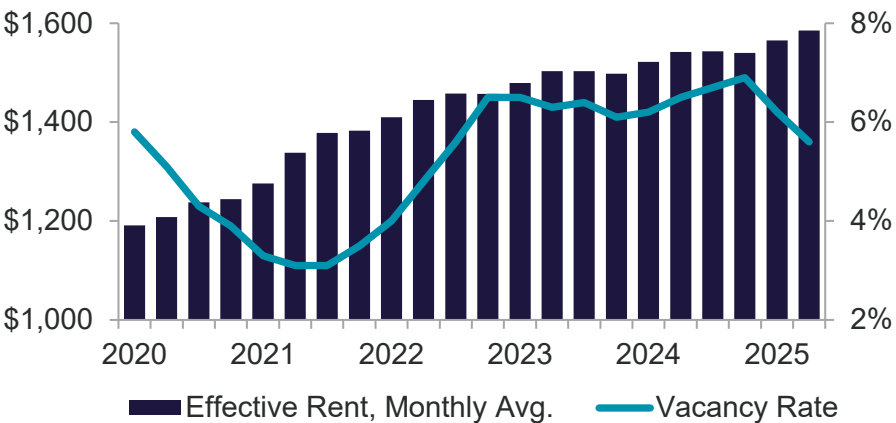
PRICING: RENT GROWTH STABLE

Rent growth continues to moderate after the dramatic pandemic era increases hit during 2021 and 2022, and at the mid-year mark, effective rates are up 2.8% YOY. Effective rents have increased 33.1% since the start of 2020 and have averaged 5.5% annually over the past five years. Year-to-date sales volume topped \$453.6 million, up compared to the same period last year and within striking range of the elevated first-half numbers hit during 2021 and 2022. Average pricing per unit continues to trend upward with 2025 YTD pricing up 20.5% compared to 2024 averages.

DEMAND / DELIVERIES



OVERALL VACANCY & EFFECTIVE RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (UNITS)	YTD DELIVERIES (UNITS)	YTD % INVENTORY GROWTH	UNDER CNSTR (UNITS)	YTD NET ABSORPTION (UNITS)	VACANCY RATE	YOY VACANCY RATE CHANGE (BPS)	AVG EFFECTIVE RENT / UNIT	AVG EFFECTIVE RENT PSF	YOY % EFFECTIVE RENT GROWTH
Chesapeake	10,007	0	0.0%	200	114	5.4%	120	\$1,758	\$1.80	2.4%
Gloucester	404	0	0.0%	0	0	1.0%	-20	\$996	\$1.33	-1.6%
Hampton City	12,673	0	0.0%	0	80	6.4%	-30	\$1,487	\$1.60	2.6%
Isle of Wight	1,146	0	0.0%	0	64	5.8%	-2,120	\$1,682	\$1.55	-3.2%
James City	2,355	0	0.0%	0	48	4.5%	30	\$1,760	\$1.74	1.8%
Newport News	19,322	0	0.0%	320	103	6.6%	-20	\$1,366	\$1.48	2.7%
Norfolk City	19,126	68	0.1%	260	436	5.9%	-170	\$1,481	\$1.67	3.3%
Poquoson City	405	0	0.0%	0	65	1.5%	-110	\$1,661	\$1.58	3.9%
Portsmouth	5,049	0	0.0%	0	-23	6.7%	70	\$1,291	\$1.48	1.8%
Suffolk City	4,302	0	0.0%	76	18	6.2%	-180	\$1,765	\$1.76	3.5%
Virginia Beach	33,651	0	0.0%	856	581	4.4%	-40	\$1,729	\$1.77	3.0%
Williamsburg	1,980	0	0.0%	0	31	4.3%	-590	\$1,753	\$1.78	4.4%
York	3,611	0	0.0%	0	50	6.8%	-600	\$1,828	\$1.75	2.8%
HAMPTON ROADS, VA TOTALS	114,031	68	0.1%	1,712	1,567	5.6%	-90	\$1,585	\$1.67	2.8%

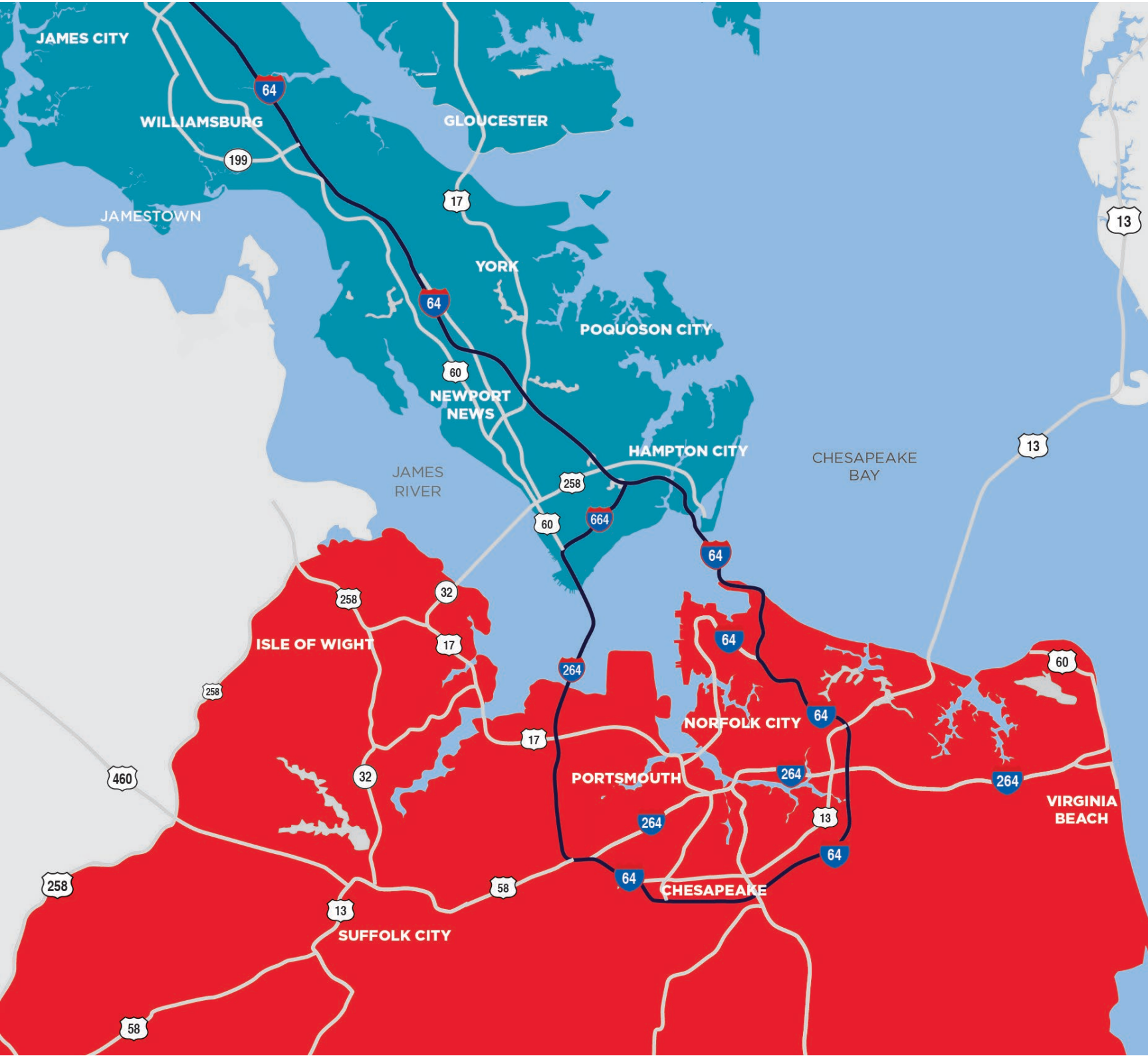
NOTABLE CONSTRUCTION PIPELINE

PROPERTY	SUBMARKET	OWNER / DEVELOPER	UNITS	COMPLETION DATE
Atlantic Park	Northeast Virginia Beach	Venture Realty Group / Venture Realty Group	409	Q4 2025
Artistry on Greenwich	Outer Virginia Beach County	Signature Management / Signature Management	315	Q1 2026
Liberty Lofts	Palmer	Brick Lane / Brick Lane	229	Q1 2026
The Grove at Western Branch	Western Branch South	Kotarides / Kotarides	200	Q3 2026
Unity Place at Kindred	Tidewater Gardens	City of Norfolk / City of Norfolk	140	Q3 2025
The Canopy	Northeast Virginia Beach	Franklin Group / Franklin Group	132	Q2 2026
Shipyard Flats	Downtown Newport News	The Monument Companies / The Monument Companies	91	Q4 2025

KEY SALES TRANSACTIONS Q2 2025

PROPERTY	SUBMARKET	SELLER / BUYER	UNITS	PRICE / \$ UNIT
Fusion @ NEON	Downtown Norfolk	Marathon Development Group Inc. / NewCastle Development Group	239	\$64.8M / \$267k
Waverton Chesapeake	South Norfolk	Waverton Associates Inc. / Nuveen	304	\$45.5M / \$150k
Avalon Townhomes	Buckroe Beach	West End Capital Group / Rock Creek Property Group	182	\$26.5M / \$146k
John's Creek Apartments & Harbor Oak Townhomes	Pheobus	Harrison & Lear Inc. / M3 Equities	156	\$13.7M / \$88k
The Residences at Sonoma Woods	Windsor	West End Capital Group / Shepherd Realty Capital	112	\$15.9M / \$142k

MULTIFAMILY SUBMARKETS



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