

MARKET FUNDAMENTALS

	YOY Chg	Outlook
10.3% Vacancy Rate	▲	▼
-188.2K YTD Net Absorption, SF	▼	▲
\$22.62 Asking Rent, PSF <small>(Overall, All Property Classes)</small>	▲	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
822.9K Hampton Roads Employment	▲	▼
3.6% Hampton Roads Unemployment Rate	▲	▲
4.2% U.S. Unemployment Rate	▲	▲

Source:BLS

ECONOMY: JOB GROWTH COUPLED WITH FEDERAL UNCERTAINTY

2024 was a banner year for job growth in Hampton Roads with the region adding 14,000 new jobs. The impact of retaliatory tariffs on the Port of Virginia was the critical talking point in the first quarter, but as always Washington’s decisions related to defense spending move the local needle the most. NASA’s budget would be reduced by roughly a quarter in the Trump’s administration current proposal to reduce federal spending by over \$160 billion. For NASA Langley, that would include a staffing cut from 1,730 employees to 1,058. Coupled with that news, The Thomas Jefferson National Accelerator Facility, the Peninsula’s nuclear physics research facility approved a 12-month extension to its employee contract that was set to expire in May. With all already impactful DOGE efforts, these Federal decisions are critical to the local Hampton Road’s economy.

MARKET REVIEW: POSITIVE PRIVATE SECTOR SIGNS

USAA announced the purchase of the current Cox Communications building, an almost 200,000-square-foot (sf) building at 1341 Crossways Boulevard, which will add 500 new local employees. Cox Communications will eventually relocate into USAA’s current location at 520 Independence Parkway in just over 80,000 sf which equates to flat absorption for the market. Costco is buying the former Feguson headquarters in Newport News which will take over 225,000 sf of inventory offline. The City of Newport News is buying the former SunTrust building at 11817 Canon Boulevard, which will also help with positive absorption in a slow Peninsula market. The DSC acquisition of the 1.3M sf ACME portfolio has already had some strong initial stabilization. Despite the federal headwinds, there are some positive private sector signs.

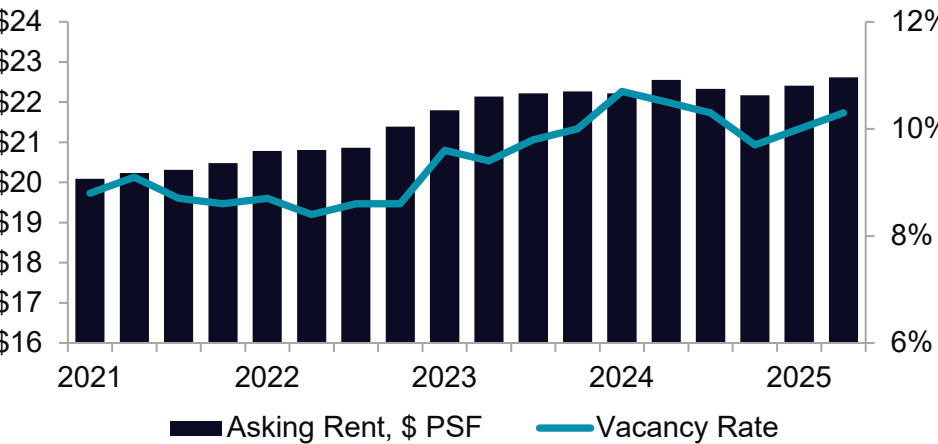
SUPPLY AND DEMAND: LIMITED SUPPLY, STABLE DEMAND

Although absorption numbers were slightly negative in the first two quarters, the rest of 2025 should welcome in positive absorption across the market. Tenant improvement allowances will be more important than face rents in lease negotiations. As leasing activity recovers nationwide, will the lending environment for office product rebound? Will the sector receive renewed traction from investors? Locally, medical product will see the most demand highlighted by sticky tenants, consistent demand, and staggering new construction costs.

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	4,437,442	492,540	27,342	11.7%	-64,221	-33,240	103,094	0	\$22.25	\$22.81
Gloucester	130,674	773	0	0.6%	0	0	0	100,000	N/A	N/A
Hampton	3,102,198	333,279	16,373	11.3%	-84,874	-94,893	65,346	0	\$17.62	\$16.79
Harborview/Western Branch	1,240,147	69,891	8,565	6.3%	-3,728	-8,807	12,580	0	\$24.94	\$21.84
Newport News	5,782,780	699,287	0	12.1%	-10,527	-21,630	62,230	0	\$21.01	\$22.06
Norfolk	8,080,253	900,930	39,126	11.6%	21,228	14,322	63,729	0	\$25.02	\$26.45
Portsmouth	815,148	34,471	3,155	4.6%	808	7,901	9,987	0	\$17.80	\$18.86
Suffolk	824,754	17,478	0	2.1%	2,096	-1,461	2,500	0	\$20.97	N/A
Virginia Beach	9,217,440	873,270	59,260	10.1%	614	-63,614	312,788	0	\$22.81	\$24.60
Williamsburg	1,189,193	19,775	0	1.7%	6,811	25,086	13,928	0	\$21.44	N/A
York	328,672	16,897	340	6.2%	0	-11,847	5,284	0	\$21.75	\$24.50
HAMPTON ROADS TOTALS	35,148,701	3,458,591	154,161	10.3%	-131,793	-188,183	651,466	100,000	\$22.62	\$23.79

*Rental rates reflect full service asking

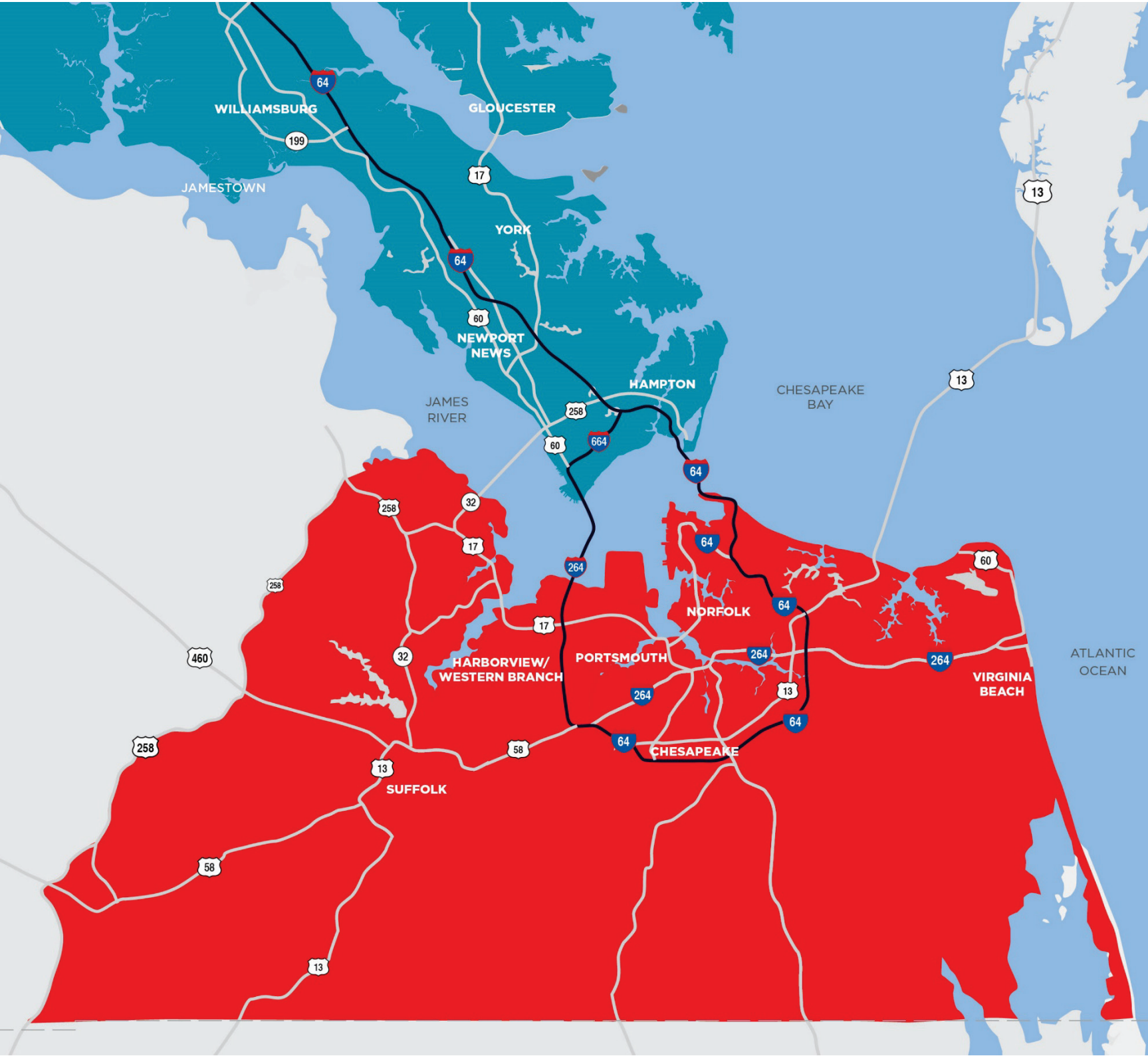
KEY LEASE TRANSACTIONS Q2 2025

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1341 Crossways Boulevard	Chesapeake	USAA	198,000	New
6161 Kempsville Circle	Norfolk	Pivot Physical Therapy	13,000	New
780 Lynnhaven Parkway	Virginia Beach	Regis	11,406	Renewal
4445 Corporation Lane	Virginia Beach	Office Space & Solutions	10,416	Renewal

KEY SALE TRANSACTIONS Q2 2025

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
1341 Crossways Boulevard	Chesapeake	Cox Communications / USAA	198,000	\$24.0M / \$121
840 Greenbrier Circle	Chesapeake	CBL & Associates Properties, Inc. / Pringal Parihk	49,869	\$3.5M / \$70
233 Business Park Drive	Virginia Beach	Friedman Associates / Anchor Legal Group, PLLC	19,252	\$2.9M / \$148

OFFICE SUBMARKETS



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