

MARKET FUNDAMENTALS

	YOY Chg	Outlook
11.2% Vacancy Rate	▲	▼
-479.4K YTD Net Absorption, SF	▼	▲
\$22.90 Asking Rent, PSF <small>(Overall, All Property Classes)</small>	▲	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
821.6K Hampton Roads Employment	▼	▼
3.7% Hampton Roads Unemployment Rate	▲	▲
4.3% U.S. Unemployment Rate	▲	▲

Source:BLS

ECONOMY: FEDERAL SHUTDOWN IMPACT

As another federal government shutdown looms, the Hampton Roads economy is again bracing for the potential local impact, even if short-term. As furloughed federal employees are required by law to be paid retroactively when operations resume, the macro economy impacts are less critical than the local economy exposure. There are over 88,000 active-duty military personnel stationed in the region and over 52,000 federal civilian employees. Over 40% of the local economy is directly tied to federal spending. As Bob McNab, the Old Dominion University Chair of the Department of Economics has previously said, “For us, we are more dramatically impacted than almost any other metro region in the United States because of our unique relationship with the federal government. If there's a long government shutdown, it will shave percentage points off our economic growth.”

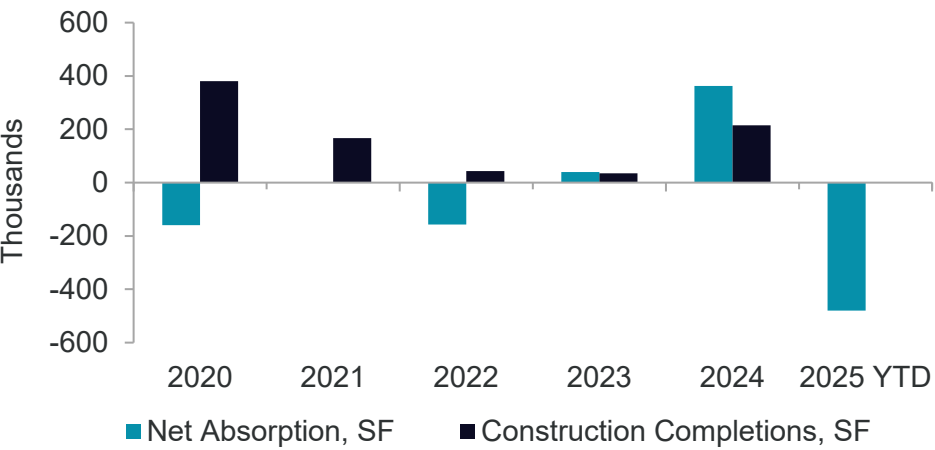
MARKET REVIEW: NEGATIVE ABSORPTION UPTICK

As metro office markets recover across the country, local lenders are quietly considering office lending again. For the past dozen quarters, 100% owner-occupied office, preferably medical, has been the primary office deal profile lenders were comfortable with. Traditional financing term sheets have recently surfaced for less than majority owner-occupant product and even stabilized office assets for strong balance sheet sponsors. Despite that positive macro sign, 2025 year-to-date (YTD) absorption has been severely negative. Norfolk, Greenbrier, and Hampton submarkets are the heavy contributors. There are twelve office buildings in Hampton Roads that have over 50,000 square feet (sf) of contiguous space; six are in both Downtown and suburban Norfolk, and three are in Hampton. The only outliers are 1434 Crossways Boulevard with over 200,000 sf of contiguous space, Liberty IV with 50,000 sf (both in Chesapeake), and newly constructed Tech Center II in Newport News with 65,000 sf available.

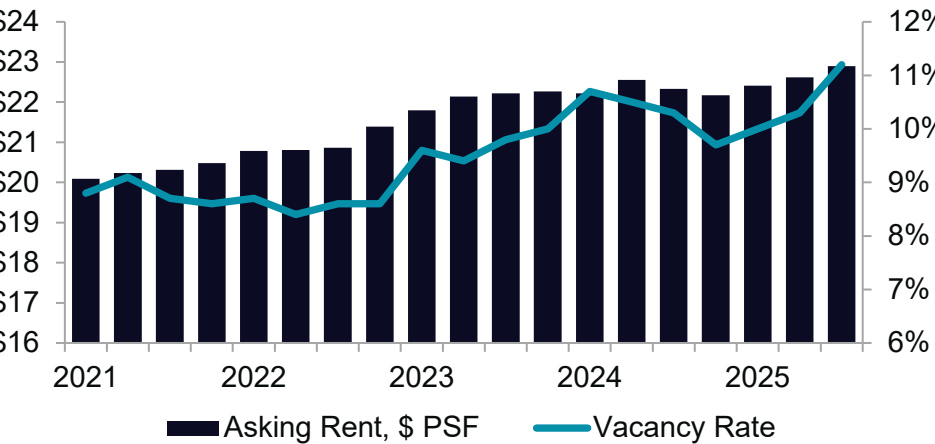
SUPPLY AND DEMAND: TIA OUTWEIGHS RENT

Tenant improvement allowance continues to outweigh rent in lease negotiations across the market. Incentives and abatement remain minimal but occupiers in the market continue to face the pressure of making longer term commitments contrasted with dynamic space sizing needs and reconfigurations. Landlords that are willing to spend capital and pencil turnkey allowances will continue to win the day.

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	4,437,185	620,853	13,050	14.3%	-121,338	-170,367	200,398	0	\$22.30	\$22.53
Gloucester	142,274	3,873	0	2.7%	-3,100	-3,100	0	0	N/A	N/A
Hampton	2,670,528	371,352	16,373	14.5%	-21,005	-115,898	67,003	0	\$17.57	\$16.65
Harborview/Western Branch	1,244,770	78,133	8,565	7.0%	-19,827	-27,024	31,393	0	\$23.58	\$20.93
Newport News	5,782,780	684,714	0	11.8%	3,984	-18,631	128,179	0	\$21.13	\$22.26
Norfolk	7,971,979	987,445	37,926	12.9%	-44,838	-111,795	150,264	10,000	\$26.57	\$25.39
Portsmouth	815,148	34,061	3,155	4.6%	410	8,311	12,414	0	\$18.54	N/A
Suffolk	853,794	20,228	0	2.4%	-250	-1,711	2,500	0	\$21.02	N/A
Virginia Beach	9,342,604	910,174	78,019	10.6%	-29,195	-57,011	402,068	0	\$23.26	\$25.23
Williamsburg	1,192,209	22,133	0	1.9%	-5,005	22,728	18,881	0	\$21.61	N/A
York	328,672	13,694	340	4.3%	6,983	-4,864	13,720	0	\$24.15	\$24.50
HAMPTON ROADS TOTALS	34,781,943	3,746,660	157,428	11.2%	-233,181	-479,362	1,026,820	10,000	\$22.90	\$24.20

\*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q3 2025

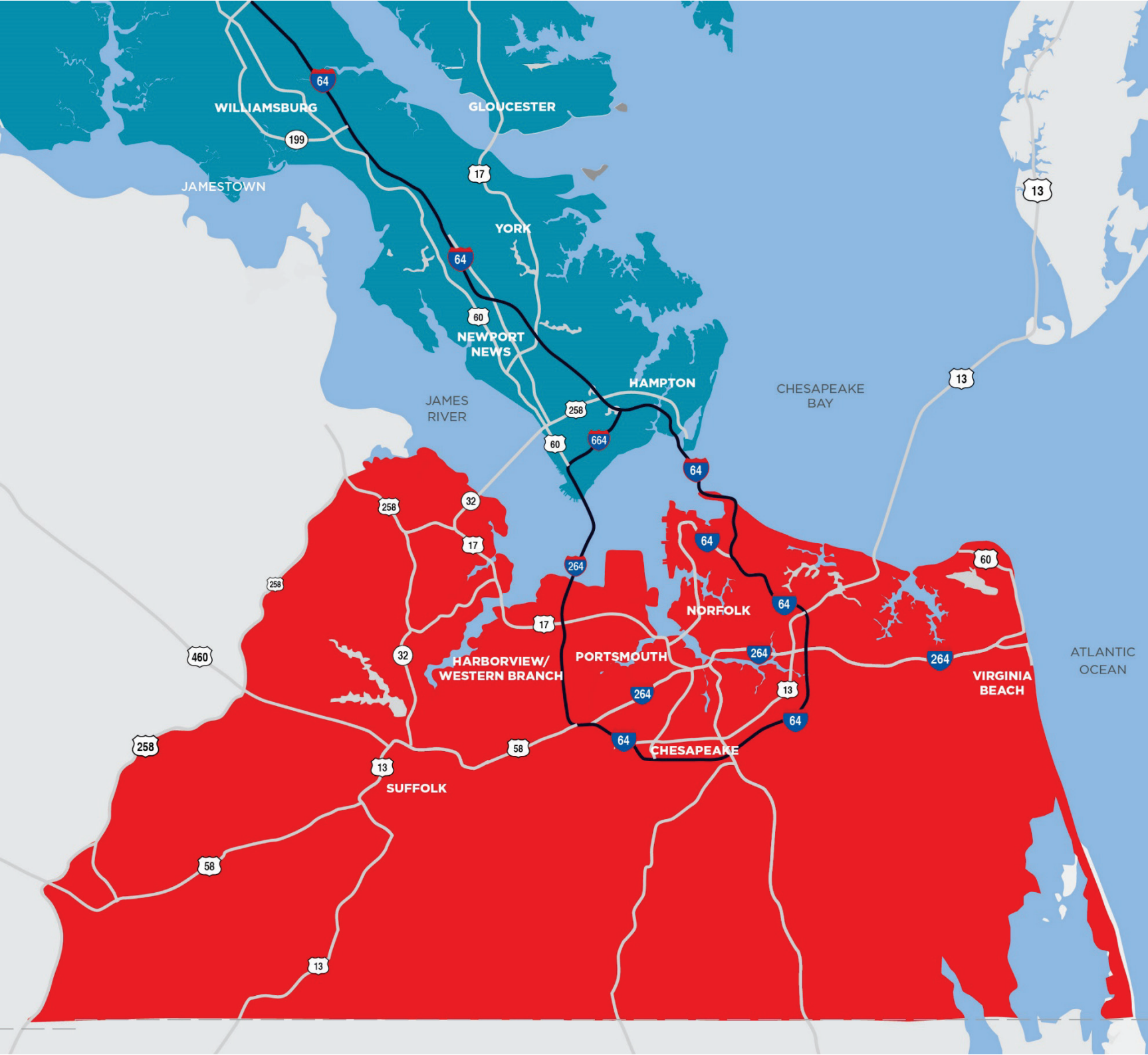
PROPERTY	SUBMARKET	TENANT	SF	TYPE
510 Independence Boulevard	Chesapeake	United States Coast Guard	23,424	New
200 Bendix Road	Virginia Beach	Aerotek	11,601	Renewal
100 Constitution Drive	Virginia Beach	Unified Women’s Care	11,402	New
510 Independence Parkway	Chesapeake	Pariser Dermatology Specialists	10,437	Renewal / Expansion

KEY SALE TRANSACTIONS Q3 2025

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
12470-12500 Jefferson Avenue	Newport News	Ferguson Enterprises, LLC / Costco Wholesale Corp.	226,668	\$28.0M / \$124
6160 Commander Parkway	Norfolk	Townsend Commander Parkway, LLC / JLP Real Estate Group, LLC	65,351	\$9.0M / \$138
555 S. Independence Boulevard	Virginia Beach	Inmotion Hosting, Inc. / Turner Strategic Technologies	61,521	\$8.2M / \$133



OFFICE SUBMARKETS



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