

MARKET FUNDAMENTALS

	YOY Chg	Outlook
10.7% Vacancy Rate	▲	▼
-315K YTD Net Absorption, SF	▼	▲
\$22.93 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	▲	▲
4.6% U.S. Unemployment Rate	▲	▲

Source: BLS

ECONOMY: THREE PILLARS BY THE NUMBERS

The Hampton Roads economy is consistently referenced in this report to be anchored by three pillars: defense, port, and tourism. The Hampton Roads Planning District Commission released last year’s numbers related to Location Quotients (LQs), which measure a sector’s employment concentration regionally relative to nationally. The top three industries highlight the region’s naval and maritime focus including employment in shipbuilding being 7.7 times the national average, federal civilian employment with an LQ of 3.9, and water transportation (port) posting 3.6 times the national average. Shipbuilding represents 2.6% of regional jobs with wages 1.7 times the national average, federal civilian employment counts for 5.3% of total jobs with wages 1.8 times national numbers. Port jobs represent less than 1% but could be misrepresented by classifications in overlapping industries.

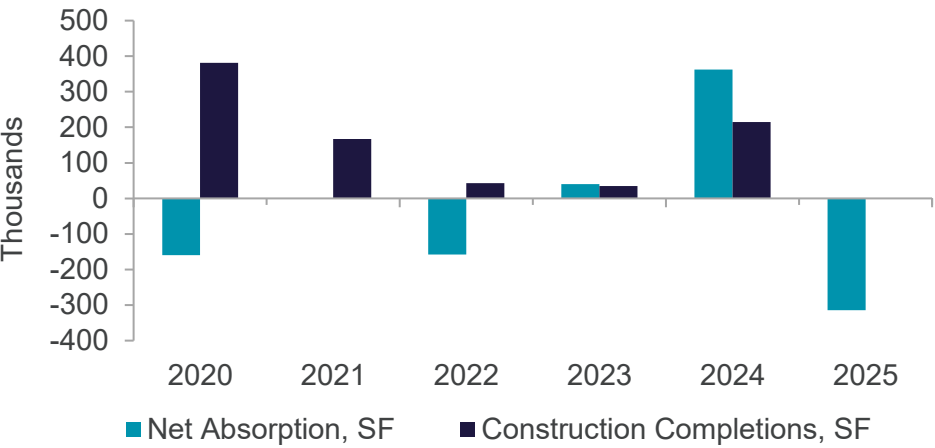
MARKET REVIEW: GLARING NEGATIVE ABSORPTION IN 2025

The Hampton Roads office market saw 315,000 square feet (sf) of negative net absorption in 2025. This number contrasts with positive absorption trends across the country, especially in recovering major metro markets. While the region historically lags behind national office trends, contributing factors include short-term pandemic extensions that finally rolled, two soft outlier submarkets in Hampton and Downtown Norfolk (Greenbrier/Battlefield recovering), and job growth in office specific industries that trails national growth. Vacancy rates are still below national averages with flat supply being the paramount factor. Heavy tenant improvement costs continue to be the contributing factor to rent growth across the region. There are several bigger deals out in the market that could help absorption numbers turn the corner early in 2026.

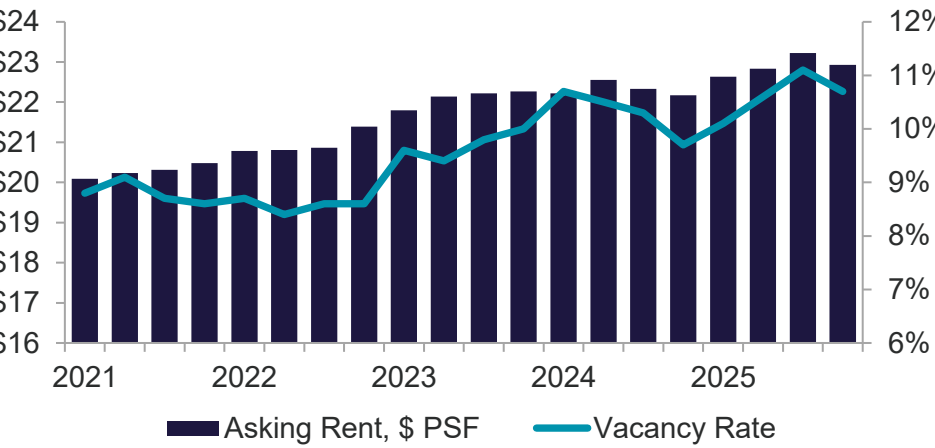
SUPPLY AND DEMAND: 2026 RECOVERY

The office market in 2026 in Hampton Roads will recover with positive absorption across most submarkets, specifically Virginia Beach and Chesapeake. As lenders are reconsidering the office sector again, owner-occupant users will bid up limited opportunities, specifically medical users. Landlords struggling to pencil expensive tenant improvement buildouts to stabilize their assets might consider sales to users that match up with their vacancies. Medical construction will be the only new supply side adds so the market will tighten in 2026 with decreasing vacancy, positive absorption, and continued rent growth.

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	4,464,661	596,066	10,145	13.6%	45,874	-121,235	287,643	42,500	\$22.61	\$22.90
Gloucester	142,274	773	0	0.5%	3,100	0	3,100	0	N/A	N/A
Hampton	2,671,930	370,054	16,373	14.5%	-4,415	-120,313	83,482	0	\$17.50	\$16.63
Harborview/Western Branch	1,244,063	49,823	8,565	4.7%	-5,410	-5,260	50,782	0	\$23.54	\$21.01
Newport News	5,957,898	588,545	0	9.9%	94,287	93,941	140,088	0	\$21.15	\$22.24
Norfolk	7,876,302	1,008,583	35,569	13.3%	-28,448	-139,526	246,064	10,000	\$25.21	\$26.40
Portsmouth	815,148	30,904	0	3.8%	6,312	14,623	17,319	0	\$21.01	N/A
Suffolk	853,794	13,111	0	1.5%	7,117	5,406	5,250	0	\$21.02	N/A
Virginia Beach	9,334,069	912,107	55,923	10.4%	2,227	-61,797	541,986	0	\$23.41	\$25.73
Williamsburg	1,189,040	13,274	0	1.1%	11	21,587	29,457	0	\$23.85	N/A
York	337,433	11,194	0	3.3%	5,204	-2,024	18,924	12,000	\$22.34	\$22.53
HAMPTON ROADS TOTALS	34,886,612	3,594,434	126,575	10.7%	125,859	-314,598	1,424,095	64,500	\$22.93	\$24.18

*Rental rates reflect full service asking

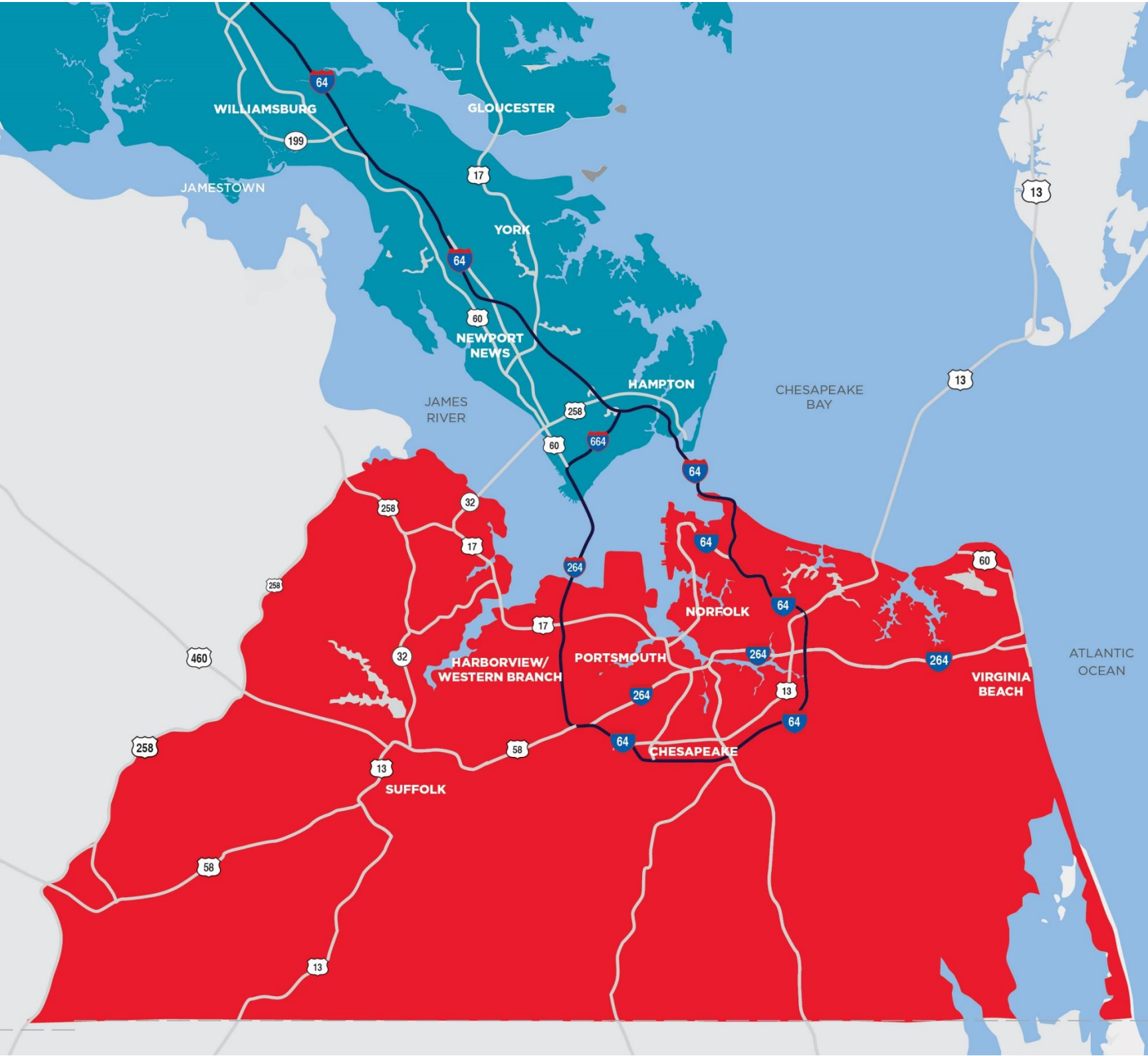
KEY LEASE TRANSACTIONS Q4 2025

PROPERTY	SUBMARKET	TENANT	SF	TYPE
5800 Lake Wright Drive	Norfolk	Booz Allen Hamilton	44,934	Renewal
150 W. Main Street	Norfolk	Wall, Einhorn & Chernitzer	24,476	Renewal
4525 South Boulevard	Virginia Beach	NVR, Inc.	20,464	Renewal
860 Greenbrier Circle	Chesapeake	Gryphon Technologies	13,910	Renewal

KEY SALE TRANSACTIONS Q4 2025

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
Various	Chesapeake, Gloucester, Suffolk, Norfolk	Welltower Inc. / Remedy Medical Properties	198,642	Not Disclosed
11817 Canon Boulevard	Newport News	Hampton University / City of Newport News	104,792	\$9M / \$86
1120 First Colonial Road	Virginia Beach	First Colonial Family Practice / Sifen, Inc.	22,290	\$3.2M/ \$144

OFFICE SUBMARKETS



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