

MARKET FUNDAMENTALS

	YOY Chg	Outlook
10.8% Vacancy Rate	▲	▼
-99K YTD Net Absorption, SF	▼	▲
\$22.81 Asking Rent, PSF <i>(Overall, All Property Classes)</i>	▼	▲

ECONOMIC INDICATORS*

	YOY Chg	Outlook
816.7K Hampton Roads Employment	▼	▲
3.7% Hampton Roads Unemployment Rate	▼	▼
4.6% U.S. Unemployment Rate	▲	▲

Source: BLS
 * Q4 2025

ECONOMY: THE HAMPTON ROADS PLAYBOOK: DEAL

The Hampton Roads Alliance launched a new economic development strategy in collaboration with the Hampton Roads Workforce Council, Hampton Roads Planning District Commission, local colleges and universities, and chambers of commerce. The Hampton Roads Playbook focuses on four sectors—defense, energy, aerospace and logistics (DEAL)—which serve as unique competitive differentiators for the region. The strategy outlines eight initiatives aimed at expanding workforce capacity, strengthening infrastructure, and attracting long-term investment across localities. As home to eighteen military installations and the Port of Virginia, Hampton Roads must continue advancing shipbuilding, offshore wind development, aerospace facilities, and related research and development across all DEAL sectors. In 2025, the region experienced record-breaking capital investment totaling \$1.5 billion across these industries.

MARKET REVIEW: OFFICE LAG

Despite significant capital investment across the region, the office sector has not experienced positive absorption. Major projects—including LS GreenLink's \$681 million plant, Huntington Ingalls Industries' 150,000-square-foot (sf) 3D printing facility, CEL's 400,000 sf manufacturing facility, the construction of Norfolk's gaming facility, and Acoustical Sheetmetal Company's continued expansion in Virginia Beach—represent strong economic wins, but the resulting job creation has not translated into office demand. One of the largest deals in Q1 was Conduent leasing 25,000 sf at Liberty IV; however, this was a relocation from Crossways, where they previously occupied 100,000 sf, resulting in 75,000 sf of negative net absorption. Similarly, Bon Secours leased 25,000 sf at 155 Kingsley in Norfolk, reabsorbing space they previously occupied before the hospital there was demolished. These deals highlight key trends in the local office market: negative absorption alongside relatively stable occupancy, the conversion of functionally obsolete assets to other product types, increased demand for medical space, and an overall flight to quality.

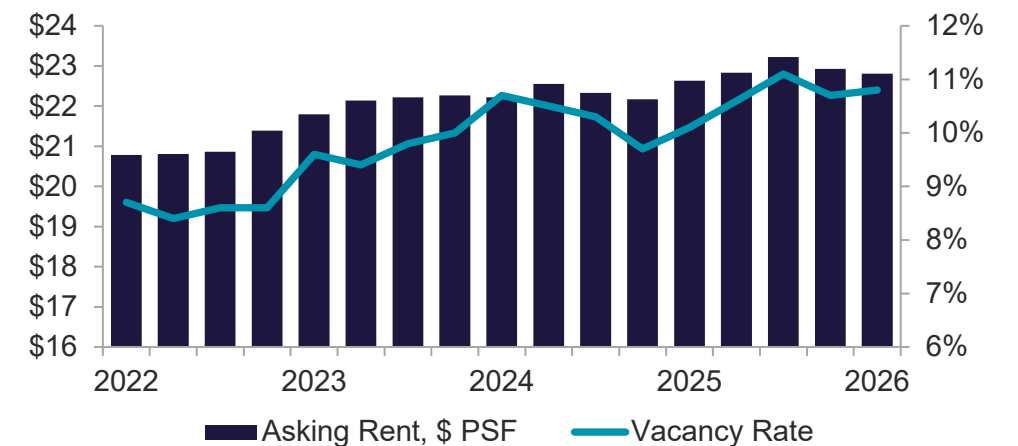
SUPPLY AND DEMAND: WILL STABILIZED ASSETS TRADE IN 2026?

Since the pandemic, investors and lenders have largely remained on the sidelines for stabilized office assets in Hampton Roads. Owner-occupant sales have continued to account for the majority of transactions, both locally and nationally. However, with several key stabilized assets—including 150 Main, Southport Centre, and multiple single-tenant medical properties—currently on the market, the question remains: will improving macroeconomic sentiment drive increased transaction activity in 2026?

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	4,432,995	590,635	10,145	13.6%	-10,372	-10,372	50,475	152,500	\$22.70	\$23.03
Gloucester	142,274	773	0	0.5%	0	0	0	0	N/A	N/A
Hampton	2,692,091	423,131	16,373	16.3%	-1,757	-1,757	12,821	0	\$17.81	\$17.29
Harborview/Western Branch	1,244,185	49,720	23,696	5.9%	-11,519	-11,519	24,435	12,750	\$23.61	\$21.19
Newport News	5,940,895	583,131	2,819	9.9%	-19,247	-19,247	37,642	0	\$21.26	\$22.53
Norfolk	7,986,046	1,096,072	29,246	14.1%	-91,283	-91,283	38,050	10,000	\$24.91	\$25.86
Portsmouth	815,148	32,736	0	4.0%	-1,832	-1,832	5,980	0	\$20.78	N/A
Suffolk	664,833	13,111	0	2.0%	0	0	0	0	\$17.77	N/A
Virginia Beach	9,528,975	831,471	40,084	9.2%	44,357	44,357	120,988	0	\$23.28	\$24.89
Williamsburg	1,175,279	27,692	0	2.4%	-7,268	-7,268	0	0	\$22.43	N/A
York	395,229	11,194	0	2.8%	0	0	8,306	12,000	\$22.34	\$22.53
HAMPTON ROADS TOTALS	35,017,950	3,659,666	122,363	10.8%	-98,921	-97,243	298,697	187,250	\$22.81	\$23.96

*Rental rates reflect full service asking

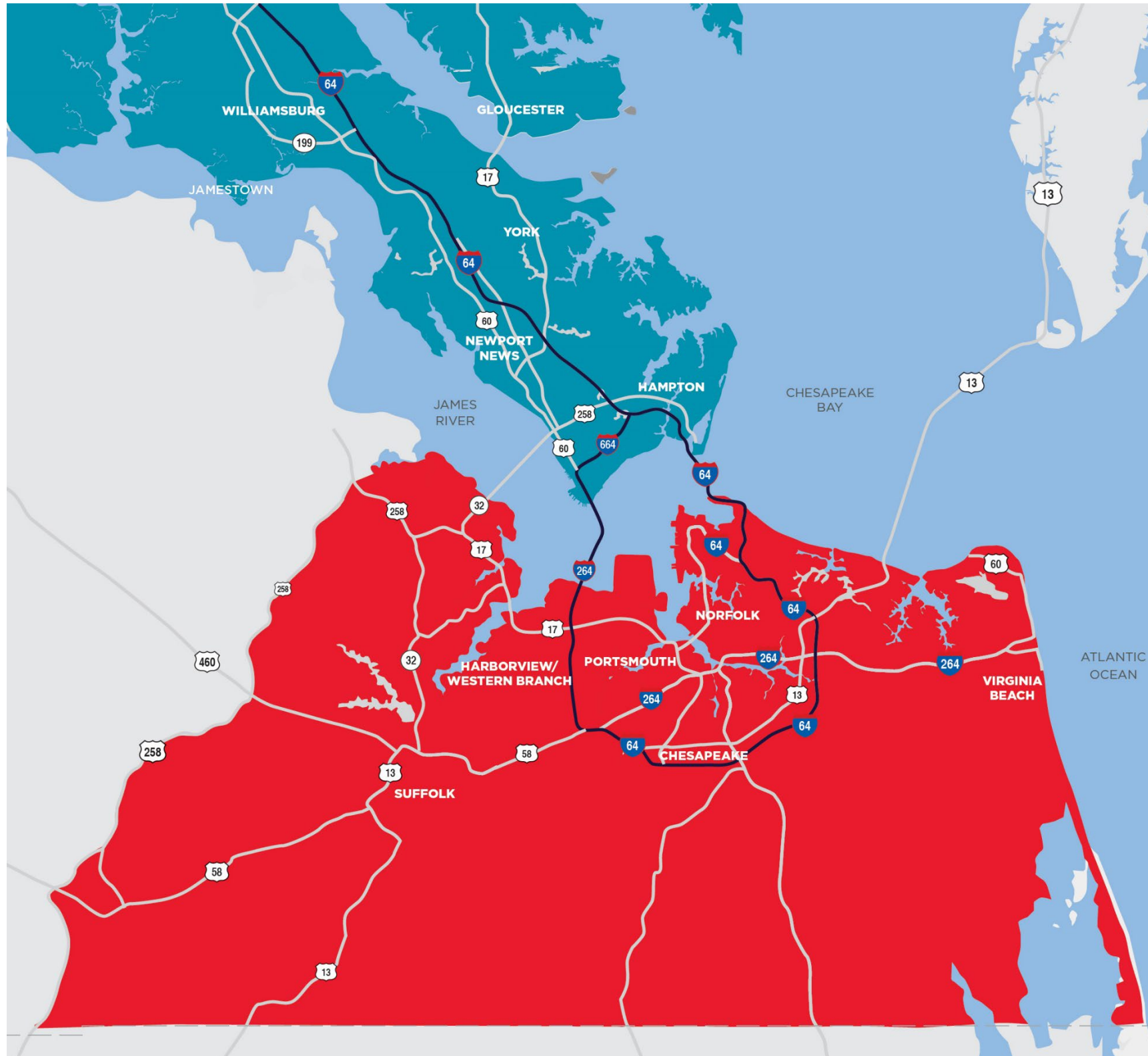
KEY LEASE TRANSACTIONS Q1 2026

PROPERTY	SUBMARKET	TENANT	SF	TYPE
155 Kingsley Lane	Norfolk	Maryview Hospital	26,340	New
1313 Executive Boulevard	Chesapeake	Conduent	24,935	New
2875 Sabre Street	Virginia Beach	Evertree Insurance	20,475	Expansion
7025 Harbour View Boulevard	Suffolk	Akima Systems Engineering	20,000	New

KEY SALE TRANSACTIONS Q1 2026

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
6738-6760 Main Street	Gloucester	Edgehill Town Center LLC / Magnolia Realty LLC	53,794	\$6.89M / \$128
484 Viking Drive	Virginia Beach	DSC Partners LLC / Aplerin Law	41,505	\$5.2M / \$125
1081 19 th Street	Virginia Beach	Manan Shah / GoldKey/Gibson	32,435	\$5.56M / \$172

OFFICE SUBMARKETS



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