MARITIME MARKET FOCUS

HAMPTON ROADS & THE FUTURE OF US DEFENSE MANUFACTURING

CUSHMAN & WAKEFIELD | THALHIMER

THE INTERSECTION OF DEEPWATER COMMERCE & NAVAL POWER

The Hampton Roads region lies at the heart of national defense, home not only to the world's largest navy base but also to the largest shipbuilding and ship repair industrial base in the US. The region has long served as a cornerstone of U.S. naval operations and is now emerging as an even more critical hub in a rapidly shifting global defense landscape. As geopolitical competition intensifies, particularly with the accelerated expansion of China's naval capacity, federal strategy is increasingly centered on scaling submarine production, strengthening shipbuilding capabilities, and reinforcing domestic manufacturing resilience.

Positioned at the heart of the U.S. defense industry, where strategic coastal geography and deepwater port access converge with concentrated federal investment, Hampton Roads stands as a nationally significant center for both fleet operations and the industrial base required to sustain them, with direct implications for long-term economic growth and industrial real estate demand.

China's naval expansion has grown at a staggering rate with 39 warships built between 2019 and 2023, pushing its capacity past the Royal Navy. China doubled its destroyer fleet between 2003 and 2023, and the country now possesses the world's largest maritime fighting force. In 2024, China State Shipbuilding Corporation built more commercial vessels by tonnage than the U.S. has completed since World War II. The U.S. strategy is focused on prioritizing undersea warfare as opposed to pursuing mass surface fleets. Submarines are considered the most survivable and strategically decisive naval assets, and the U.S. Navy is heavily invested in Columbia-class ballistic missile submarines for nuclear deterrence and Virginia-class attack submarines designed for stealth, intelligence gathering, and long-range strike.

The Hampton Roads region sits at the center of the nation's competitive strategy, a critical strategic lynchpin for the defense manufacturing industry as a whole. Headquartered in the region, Newport News Shipbuilding (NNS), a division of Huntington Ingalls Industries (HII), is one of only two U.S. shipyards capable of building nuclear-powered submarines and aircraft carriers. The pressure on production will translate to sustained demand for high-end manufacturing in the region and increasing the draw not only for existing companies to expand, but for new occupiers in related industries to establish operations in the market. Federal workforce investments aimed at national shipbuilding constraints increasingly flow into the region, drawing on the sizable talent pipeline of military service members exiting active duty. Workforce-specific grants have approached $50 million in the past decade focused in large part on the estimated 7,500+ military members entering the civilian workforce in the Hampton Roads region each year.

The presence of Naval Station Norfolk, the largest naval base in the world, further cements the region as a military hub. Serving as the headquarters and home port of the U.S. Fleet Forces Command, as well as the primary operating base for the U.S. Atlantic Fleet, the base anchors naval operations across the Atlantic and Mediterranean and functions as the primary demand engine behind Hampton Roads' defense manufacturing ecosystem. With a home port on such a massive scale, the base generates continuous requirements for shipbuilding, repair, and system upgrades that sustain regional industrial activity. These needs flow directly to Newport News Shipbuilding and a dense network of suppliers, creating a highly integrated production and sustainment cycle anchored within the region. Because fleet operations, maintenance, and deployment occur in close proximity, manufacturing demand is persistent, proximity-dependent, and largely insulated from traditional economic cycles. The result is a durable feedback loop of federal funding, industrial growth, and workforce investment that underpins long-term demand for industrial real estate and skilled labor in Hampton Roads.

NAVAL STATION NORFOLK

NAVAL STATION NORFOLK
Fleet Operations Hub

ONGOING DEMAND
Shipbuilding, Maintenance & Repair, System Upgrades

PRIMARY MANUFACTURING ANCHOR
Newport News Shipbuilding (HII)
Regional Supplier Network

WORKFORCE PIPELINE EXPANSION
Federal Funding + Maritime Training Programs

SUSTAINED INDUSTRIAL DEMAND
Long-Term Employment Growth

$15.4 B
ANNUAL ECONOMIC IMPACT

100,000+
ACTIVE-DUTY PERSONNEL

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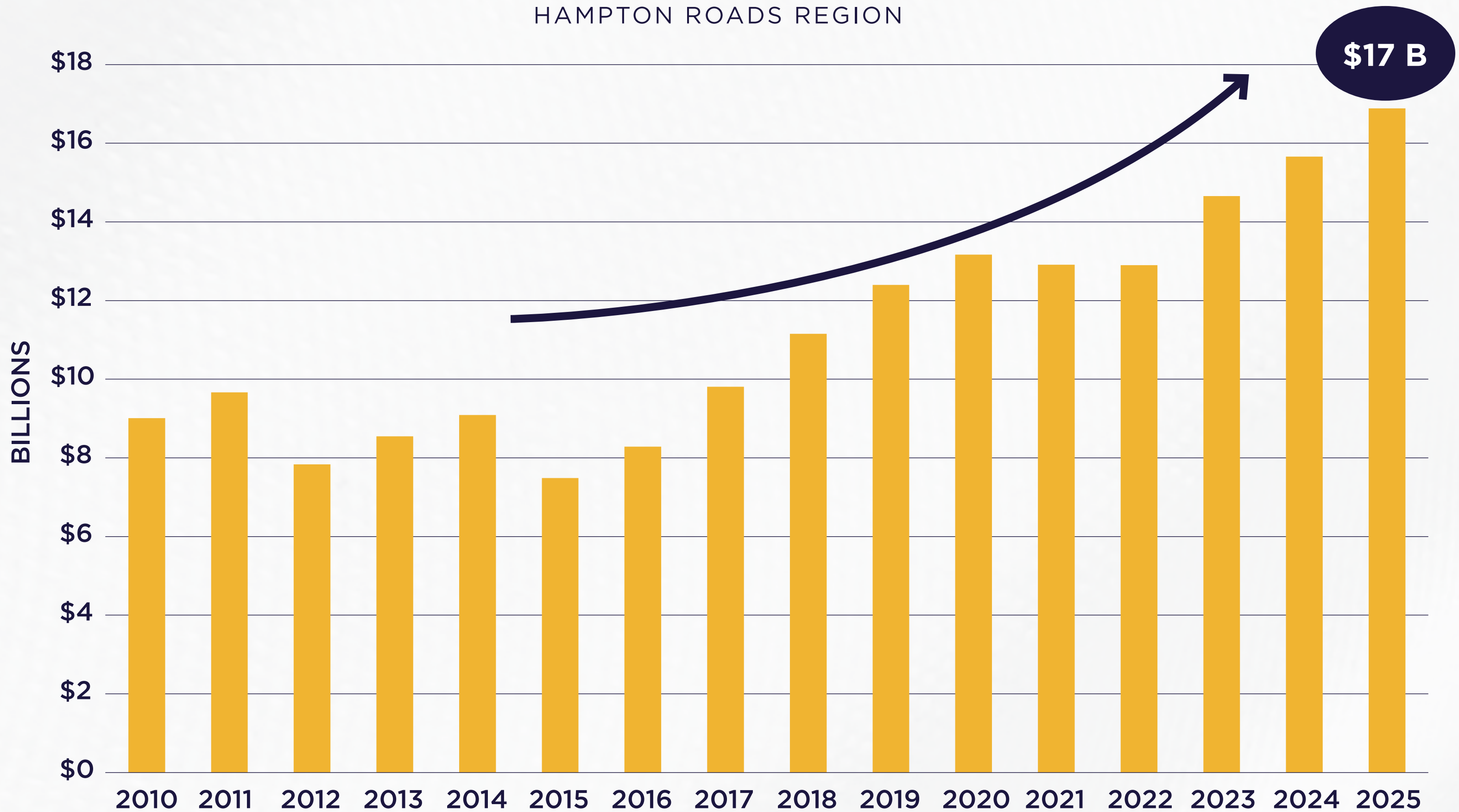
INDUSTRIAL GROWTH FUELED BY DEFENSE

Federal defense spending directly impacts the industrial real estate market, fueling demand for manufacturing and distribution space supported by a logistics infrastructure that provides access to rail, sea, and road. Regional defense contract awards continue to climb year-over-year with almost **$17 BILLION** awarded in 2025, more than double the totals from a decade earlier. The proposed federal budget for FY 2027 includes more than **$1.5 TRILLION** for defense specifically, the largest defense budget request in U.S. history and an increase of roughly 40% compared to FY 2026, representing a generational shift toward production-led investment. More than half of the funding is directed toward equipment procurement and industrial capacity, which equates to over **$750 BILLION** dedicated to manufacturing development and production of weapons, munitions, maritime vessels, and aircraft. More than **$65 BILLION** is proposed for naval shipbuilding, a sharp increase of 46% higher the FY 2026 budget request and 142% higher than the FY 2026 enacted funding, to support 34+ new vessels, including submarines, destroyers, amphibious ships, and logistics vessels as well as continued investment in Columbia- and Virginia-class submarines, a direct tailwind for the Hampton Roads region.

DEPARTMENT OF DEFENSE TOTAL CONTRACTS AWARDED

HAMPTON ROADS REGION



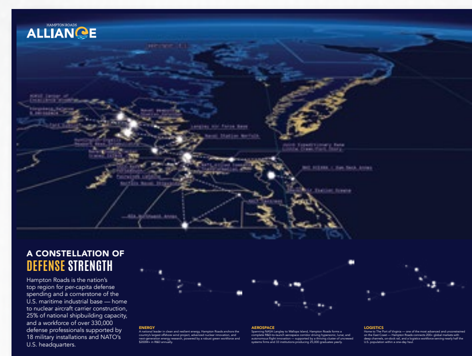
INVESTOR SPOTLIGHT

"Since entering the market in 2023, we've seen a significant influx of defense-related demand. At acquisition, defense users represented only a small share of our tenant base, and today they account for roughly one-third of the portfolio. Much of this growth is being driven by new-to-market contractors, companies operating at the intersection of technology and defense, rather than the traditional large players. Recent leasing activity reflects this evolution, with users focused on unmanned and autonomous maritime systems establishing a presence in the market. Most notably, companies like UK-based Rivencore and Saronic Technologies have signed major lease commitments, reinforcing the region's growth as a defense innovation hub. While our initial draw to the market centered on logistics infrastructure and access to the Port, we now view defense sector growth as a major component in the next phase of industrial demand across Hampton Roads."

JUSTIN KLINE
Managing Partner, Schenley Investments

The proposed surge in federal defense spending is poised to materially accelerate industrial demand across the market both for existing contractors, expanding their footprints to accommodate the influx, and for new-to-market companies looking to establish a presence in the region.

Looking ahead, the scale and focus of the proposed increase in federal defense spending collectively points to a prolonged expansion of the region's industrial base. With substantial funding flowing toward shipbuilding, advanced manufacturing, and supply chain capacity, Hampton Roads is uniquely positioned to capture sustained growth as both production and workforce needs accelerate. This convergence of federal strategy, infrastructure, and talent reinforces the region's role as a durable, mission-critical market where defense-driven demand will continue to shape industrial activity, real estate absorption, and economic performance for years to come.



CLICK TO VIEW HAMPTON ROADS ALLIANCE DEFENSE CONSTELLATION MAP

REGIONAL GROWTH TREND:
AUTONOMOUS & UNMANNED TECHNOLOGIES

The combination of a high concentration of defense industry investment, maritime assets, and economic development strategy has created a perfect storm for the Hampton Roads region to evolve into a testing hub for unmanned and autonomous systems with a growing number of businesses focused on technology deployment. The region's economic strategy has focused heavily on defense, aerospace, and maritime innovation with the launch of programs like the Defense Technology Accelerator to scale early-stage defense tech firms.

The results have been tangible with over **$1.5 BILLION** in investments announced in 2025 alone, adding an estimated **1,430 NEW JOBS** to the region.

$1.5 B
TOTAL INVESTMENTS IN 2025

COMPANY-SPECIFIC CONTRIBUTIONS INCLUDE:

SARONIC

AI-powered autonomous surface vessels (ASVs) that can operate independently or in coordinated swarms. $1.75 billion funding round in early 2026 with plans to scale production to dozens of ASVs annually.

MATBOCK

Hybrid-electric tactical vehicle technologies for the US Army, including prototype development of electrified Joint Light Tactical Vehicle (JLTV) platforms.

HII

ASVs and Autonomous Underwater Vehicles (AUVs) backed by HII's dominant shipbuilding footprint.

VECTOR

Military drones and unmanned systems with modern warfare-as-a-service model providing operational support in addition to equipment.

SUBSEA CRAFT

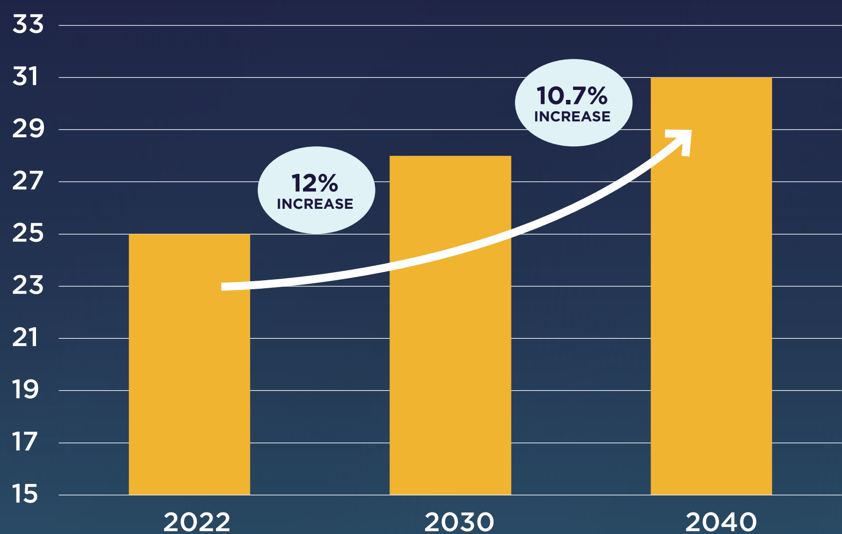
Next-generation surface, subsurface, and autonomous maritime platforms, including unmanned and optionally crewed platforms.

MANUFACTURING FOCUS:
POTENTIAL ELECTRIC DEMAND

The Hampton Roads region anticipates a meaningful rise in electrical demand over the next two decades, with total consumption increasing from approximately 25 TWh in 2022 to 28 TWh by 2030 and 31 TWh by 2040. Industrial users already account for a significant share, roughly 17% or 4.25 TWh annually, and that amount is positioned to grow alongside broader demand-drivers like data centers, EV adoption, and offshore wind development. As new manufacturing and defense-related projects compete to locate in the region, incremental industrial load, particularly from advanced manufacturing and technology-driven uses, will further increase demand on the region's power infrastructure.

HAMPTON ROADS

REGIONAL ELECTRIC DEMAND (TWH)



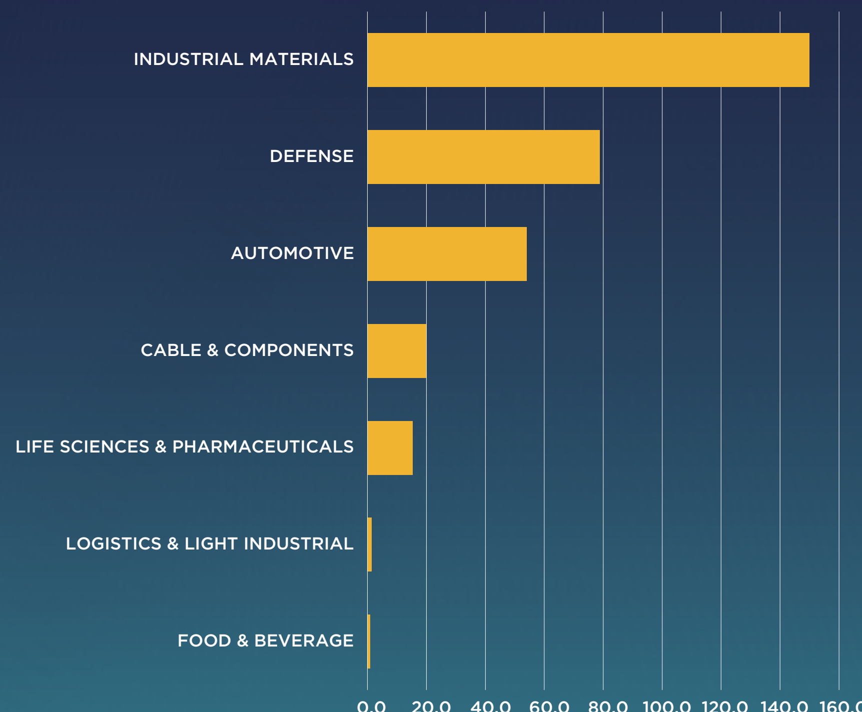
SOURCE: HAMPTON ROADS ALLIANCE

BENCHMARK:

1 TWH = 1 BILLION KWH OF ELECTRICITY OR POWER TO ~100,000 HOMES FOR 1 YEAR

UTILITY CONSUMPTION BY ACTIVE PROJECTS SEEKING TO LAND IN HAMPTON ROADS

ELECTRIC DEMAND (MW) FULL BUILD



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PORT LOCATIONS

1 VIRGINIA INLAND PORT

2 RICHMOND MARINE TERMINAL

3 THE PORT OF VIRGINIA

THE PORT OF VIRGINIA:
AMERICA'S MOST MODERN GATEWAY

The Port of Virginia has invested more than $1.4 billion in infrastructure upgrades in recent years, culminating in the 2026 completion of the 55-foot channel deepening and widening project, making it the deepest harbor on the East Coast, capable of accommodating two-way traffic for ultra-large container vessels. The region's strategic location can serve 75% of the U.S. population within two days via road and rail, further positioning the Port of Virginia as one of the nation's most advanced and unconstrained container gateways.

Virginia International Gateway (VIG):

The most technologically advanced, semi-automated container terminal in North America, featuring remote-controlled stacking cranes, optical character recognition (OCR) gates, and a highly efficient truck turn time average of under 45 minutes.

Norfolk International Terminals (NIT) South:

Four new Suez-class ship-to-shore cranes added, creating a fourth berth capable of serving ultra-large container vessels.

Norfolk International Terminals (NIT) North:

$650 million redevelopment designed to increase throughput capacity, modernize terminal operations, and accommodate continued cargo growth.

Rail Connectivity:

The port offers two Class I rail services (CSX and Norfolk Southern). The Central Rail Yard at Norfolk International Terminals (NIT) expands on-dock double-stack capacity for seamless cargo movement inland with capacity increased to approximately 2 million annual lifts.

Landmark Sustainability:

Virginia is the first major East Coast port to operate entirely on 100% clean electricity, utilizing a fully electric cargo-handling equipment fleet that includes 116 electric stacking cranes.

State Infrastructure Investment:

More than $5.5 billion in transportation improvements are reshaping the region, led by the $3.9 billion Hampton Roads Bridge-Tunnel (HRBT) expansion, the largest highway construction project in state history.

MANUFACTURING INVESTMENT SPOTLIGHT:

LS GreenLink

PARENT COMPANY:
LS Cable & System Ltd (South Korea), global manufacturer of power and communication cable systems.

INITIAL INVESTMENT:
$681+ million submarine power cable facility in Chesapeake including 750,000+ SF manufacturing plant and a 660' production tower on a 100-acre waterfront site with dedicated port access, creating 330 new jobs.

ADDITIONAL INVESTMENT:
$689+ million separate manufacturing campus, including facilities for copper rod production, magnet wire manufacturing, and rare-earth magnet production, providing a domestic base for both energy infrastructure and defense-related supply chains, creating 430 new jobs.

NEWPORT NEWS SHIPBUILDING
+ COLUMBIA-CLASS CONTRACT AWARDS

Newport News Shipbuilding
A Division of HII

2017 - 2020

US Navy awards initial design and early construction contract to General Dynamics Electric Boat (GDEB) for the Columbia-class program. HII/NNS designated to manufacture major modules and perform advanced construction. Hampton Roads becomes a permanent manufacturing node.

APRIL 2023

HII awarded $567 million contract for material procurement and advanced construction for Columbia-class ballistic missiles at NNS, including work on the lead submarines and advanced construction on the next five submarines in the class.

2023 - 2025

NNS begins advance construction and module manufacturing for additional hulls, expanding Hampton Roads' role beyond early material work to repeatable module production.

MARCH 2026

US Navy issued a $15.4 billion contract modification to GDEB to accelerate and sustain the Columbia-class program, explicitly naming Hampton Roads along Groton, CT and other sites as locations supported by the funding.

2026 & BEYOND

US Navy guidance indicates full-rate production by early 2030s with HII/NNS continuing as primary manufacturing site for Columbia-class assemblies and modules throughout the serial production phase.

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ABOUT CUSHMAN & WAKEFIELD | THALHIMER

Cushman & Wakefield | Thalhimer provides global strategic commercial real estate solutions throughout Virginia and beyond. Headquartered in Richmond with full-service offices in Fredericksburg, Lynchburg, Newport News, Roanoke, Charlottesville and Virginia Beach, Virginia; Thalhimer offers a level of expertise, experience, and coverage unmatched in the region. In its seven offices, Thalhimer has nearly 100 brokerage associates with expertise in all product types, 40 portfolio managers, and over 530 talented associates company-wide.

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