

Hampton Roads Industrial Market Overview

Market Observations

Economy

- The region’s labor market remained historically strong amid shifting macroeconomic conditions. The unemployment rate ended February 2025 at 3.3%, lower than the national average of 4.1%.
- The industrial market is a primary economic driver in the region, with the Trade/Transportation/Utilities and Manufacturing industries encompassing 23% of the regional workforce.
- Industrial employment ended February 2025 with 188,600 regional employees, which is 0.5% higher than the decade average. The industry has shown steady employment growth since experiencing historical lows at the beginning of 2020.

Major Transactions

- The largest sale of the quarter was a purchase by tenant, in which Dart Entities purchased 1080 Centerpoint Drive from Equus Capital Partners for \$39.75 M, or \$129.39 PSF. Dart Entities fully occupies the 307,200-square-foot distribution facility, located in the Virginia Port Logistics Park within the South Suffolk submarket on the Southside.
- Four of the top five leases were located on the Southside, highlighting the recent activity in that area of the region. Ferguson, a leading industrial supply chain service provider, signed the largest deal of the quarter, renewing 58,000 SF of space at 2301 Aluminum Avenue, in Copeland.

Leasing Market Fundamentals

- The market continues to experience positive absorption, seeing 250,000 SF of positive net absorption during Q1 2025. The continued positive absorption has created a tight market, with a vacancy rate of only 5.5% to end the quarter.
- Average asking rents ended Q1 2025 at \$10.13 PSF, an increase of 3.8% year-over-year. Overall, the market has seen an impressive 40.9% increase in rents from the beginning of 2020.
- The market’s development remains robust, experiencing over 6.4 MSF of deliveries in 2022, almost 3.4 MSF of deliveries in 2023, and 2.2 MSF of deliveries throughout 2024. Furthermore, the market saw 1.2 MSF of deliveries during Q1 2025 and ended the quarter with 13 properties under construction totaling over 4.1 MSF, higher than the decade average of 2.7 MSF under construction.

Outlook

- The Hampton Roads Industrial market is expected to remain healthy despite tariff headlines. With over 4.1 MSF under construction, including much of the space pre-leased or owner-occupied, the market will see consistent occupied space delivered, leading to large amounts of positive net absorption.
- While supply remains limited, rent growth will continue increasing at elevated levels, although at a more modest rate than the last 3 years. This will vary on a submarket, size range, and asset-type basis.
- Leasing activity is expected to be more consistent with pre-Covid levels leading to strong infill demand and slower lease-up of new spec assets in peripheral locations. As has been the case historically, Class A space will continue to see the most interest from landlords, tenants, and investors alike.

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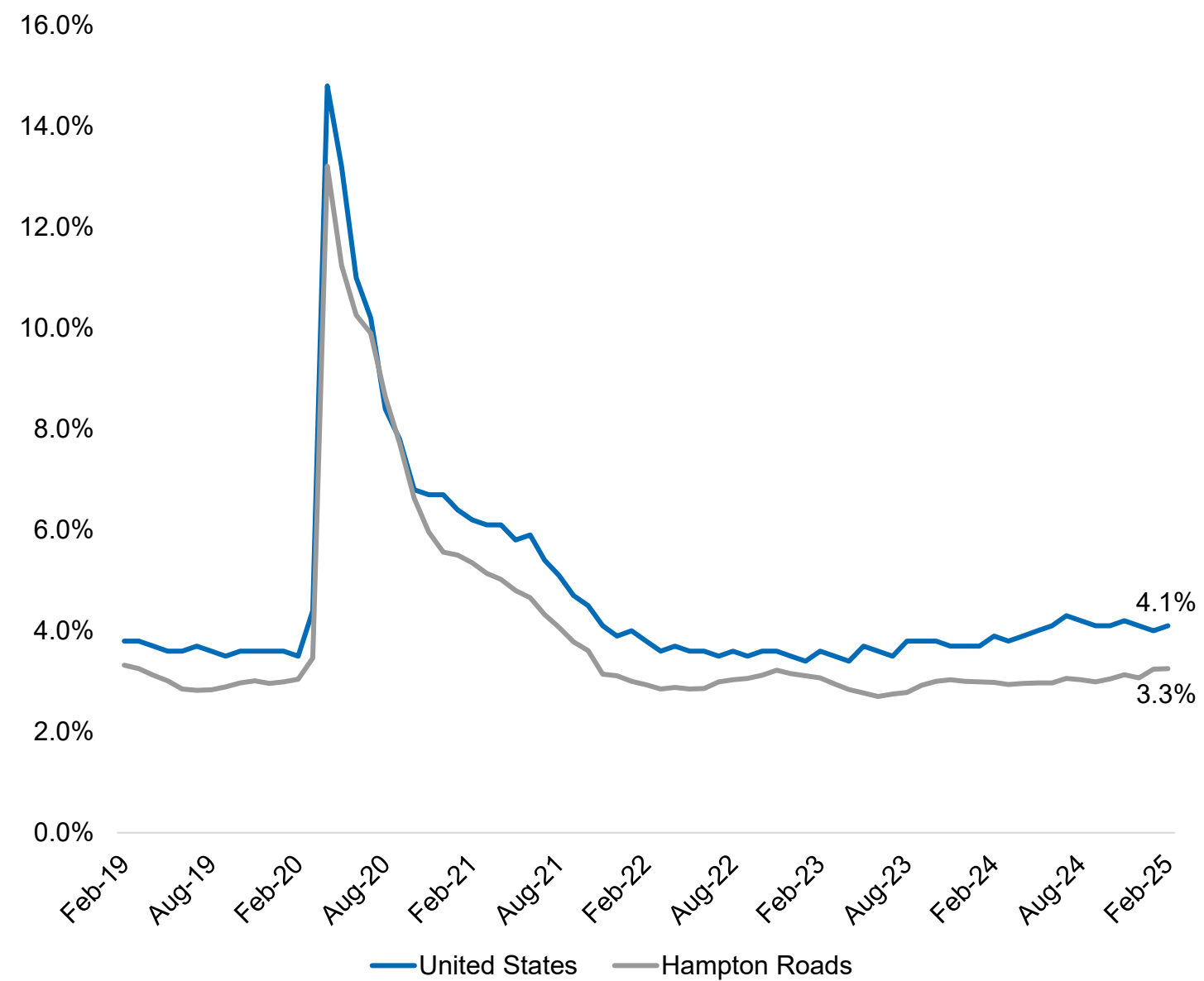
Economy



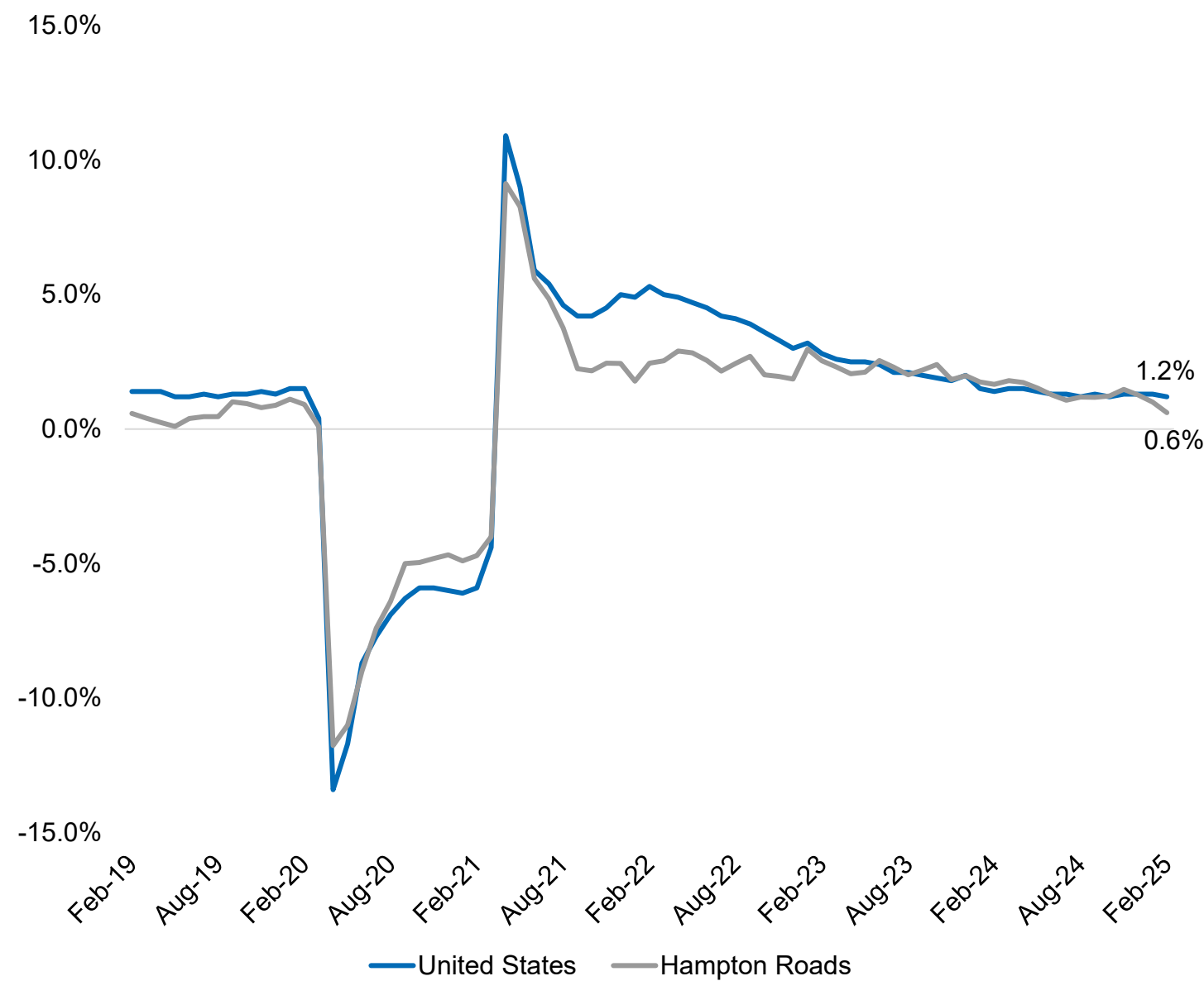
Hampton Roads' Unemployment Rate Outperforms National Average

Hampton Roads' unemployment rate continues to outperform the national average, measuring 3.3% in February 2025. This is an expansion of 30 bps year-over-year and is 80 basis points below the national average.

Unemployment Rate, Non-Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

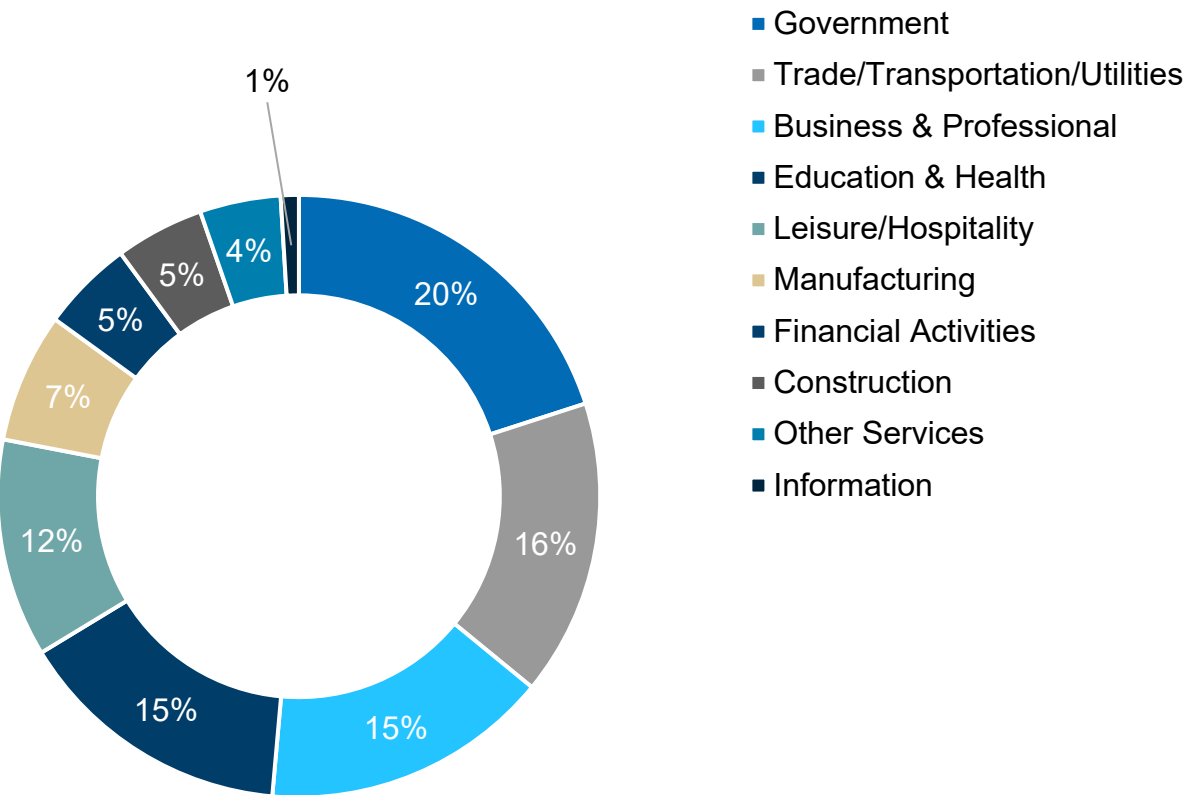


Source: U.S. Bureau of Labor Statistics, Hampton Roads

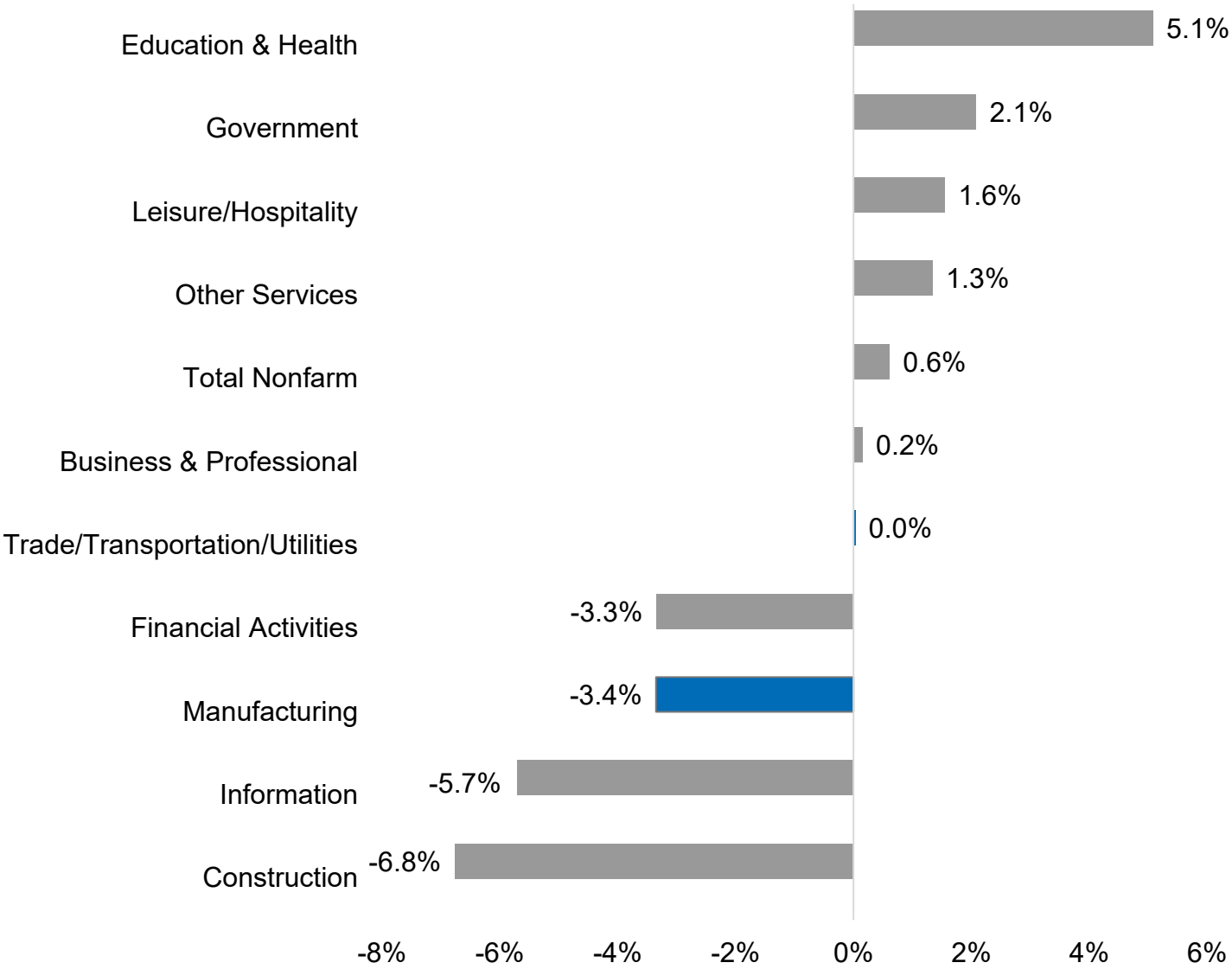
Trade/Transportation/Utilities is the Highest Private Employment Sector

Trade/Transportation/Utilities remains the second-largest industry in the region only behind the Government sector, constituting 16% of the regional workforce. Despite this, although the region’s total nonfarm employment grew by 0.6% over the past 12 months, Trade/Transportation/Utilities remained unchanged.

Employment by Industry, February 2025



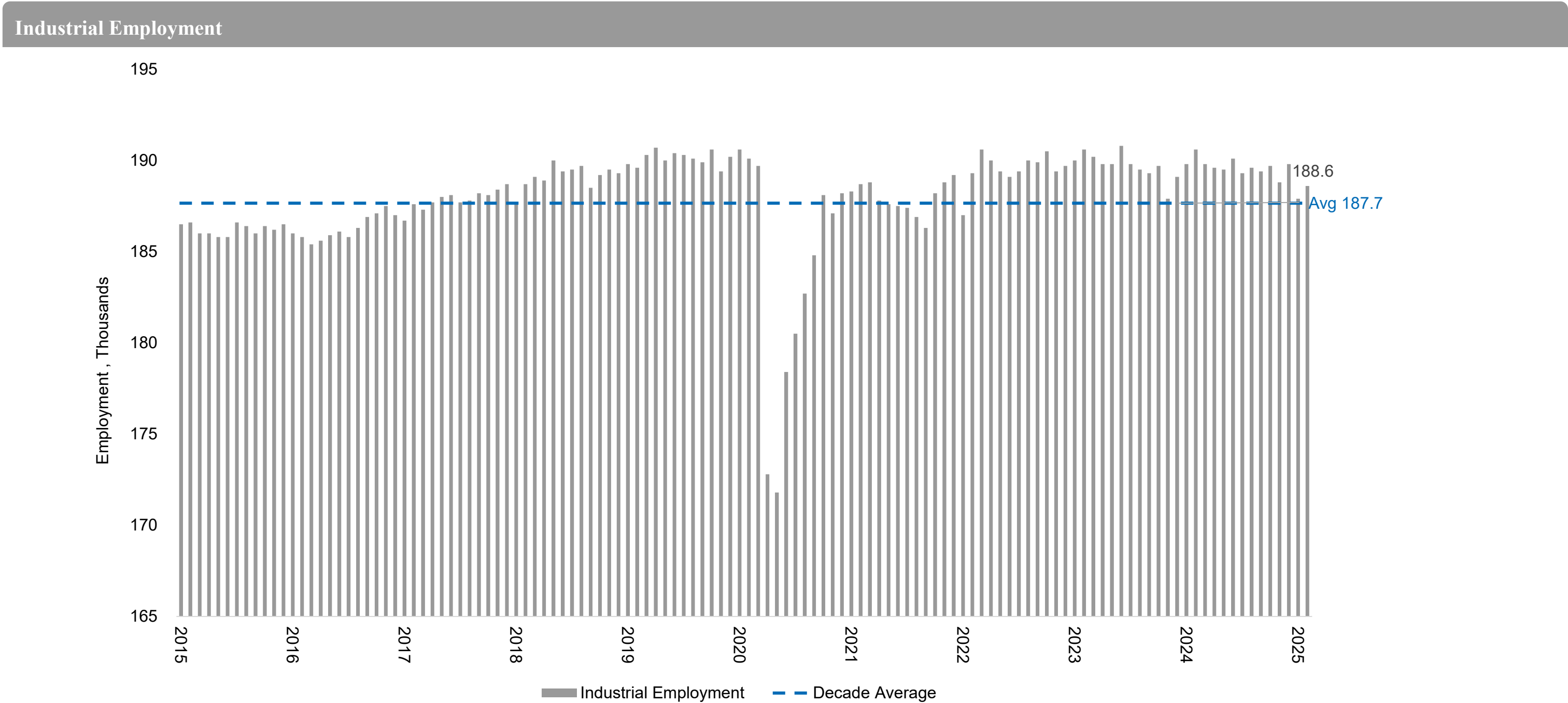
Employment Growth by Industry, 12-Month % Change, February 2025



Source: U.S. Bureau of Labor Statistics, Hampton Roads

Industrial Employment Remains Stable

The number of industrial jobs has rebounded and now sits above pre-pandemic levels. Employment ended February 2025 at 188,600 employees, 0.5% higher than the decade average and an increase of 9.8% since the market reached a historical low in May of 2020.



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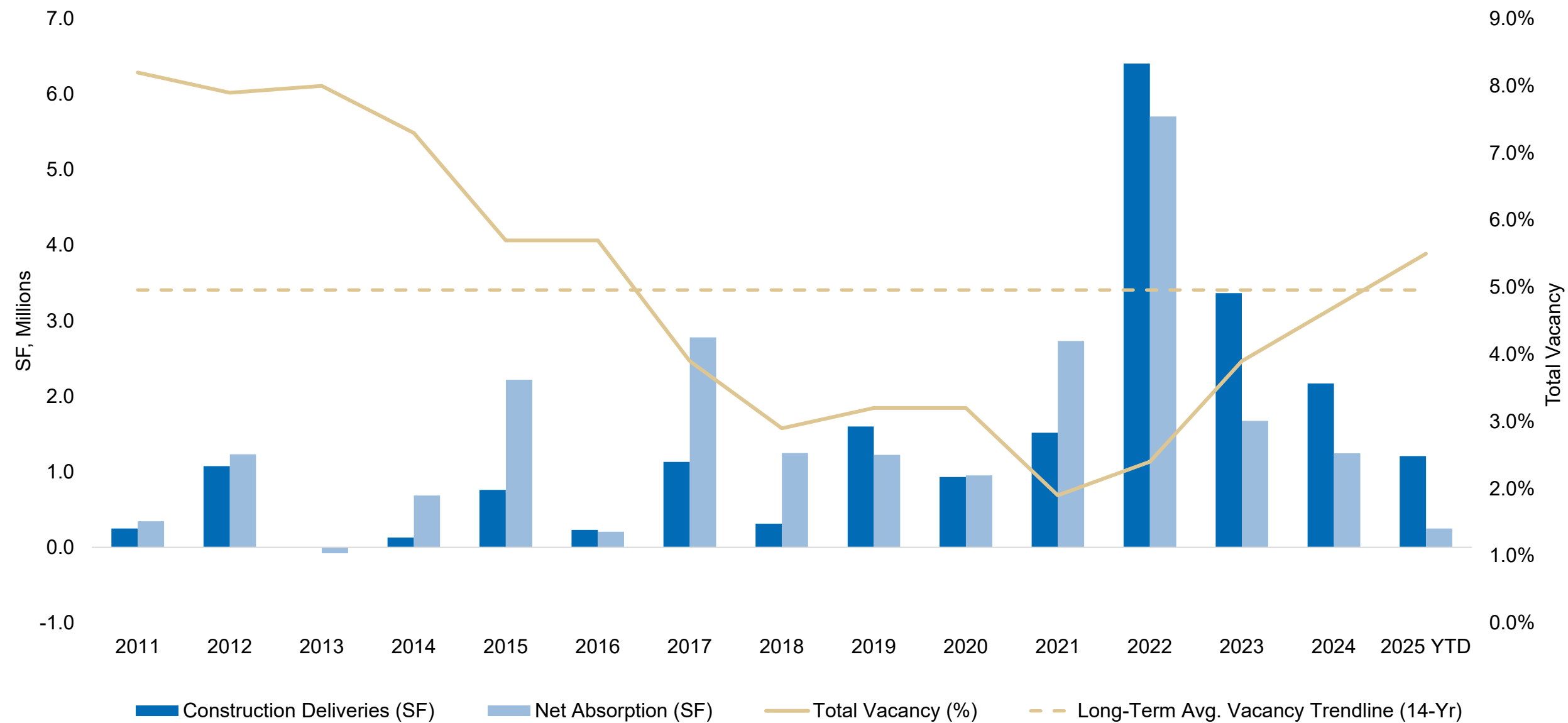
Leasing Market Fundamentals



Fundamentals Remain Healthy to Begin 2025

The Hampton Roads industrial market continues to perform well, as evidenced by its fundamentals. During Q1 2025, Hampton Roads had 1.2 MSF of deliveries while seeing 250,000 SF of positive net absorption. The market ended Q1 2025 with a vacancy rate of 5.5%, an expansion of 80 bps quarter-over-quarter. This expansion in vacancy was solely due to deliveries outpacing absorption. As demand catches up to these new deliveries in lease-up, the market's vacancy will stabilize.

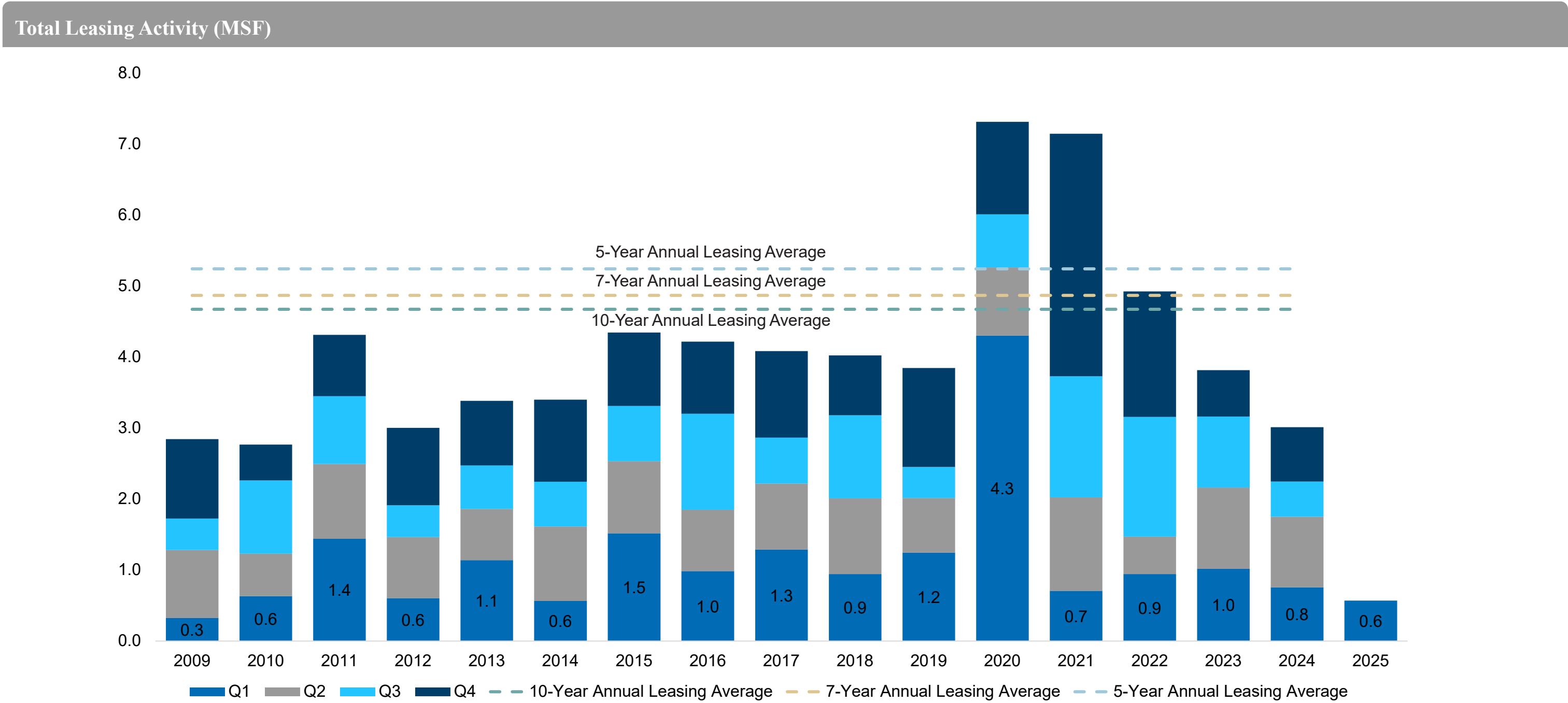
Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research, CoStar

Industrial Leasing Activity Slow to Begin 2025

Leasing activity was relatively slow during Q1 2025, ending the quarter with 0.6 MSF of activity. This is lower than the first quarter historical high, when the market experienced 4.3 MSF of activity during Q1 2020, and lower than the first quarter historical average of 1.1 MSF.

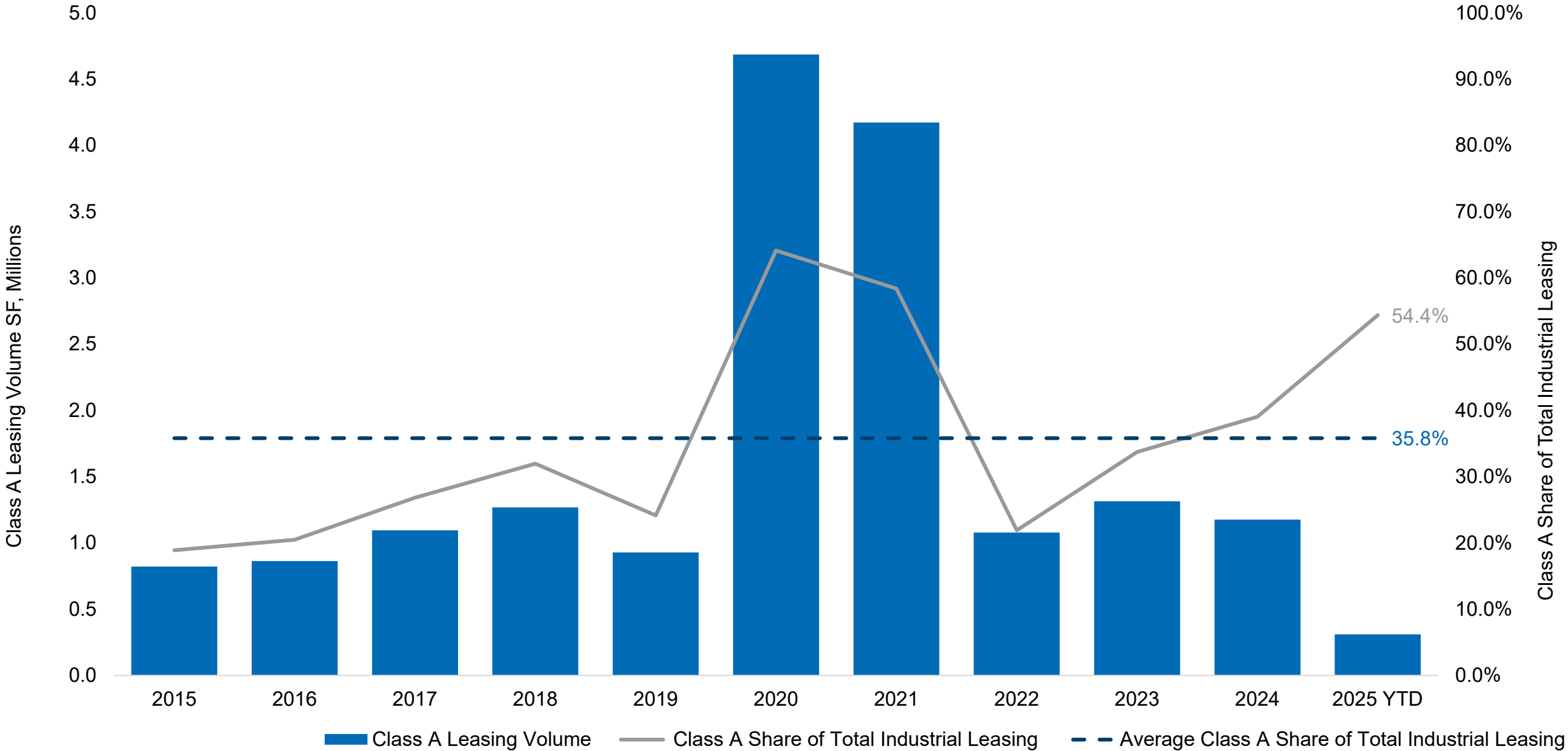


Source: Newmark Research, CoStar

Class A Industrial Leasing Above Long-Term Average

Although Class A industrial leasing activity remains below the levels of activity from 2020-2021, Class A product saw a 54.4% share of total industrial leasing in the market during Q1 2025, which is much higher than the decade average of 35.8% and highlights the elevated interest in quality Class A space by occupiers. The Hampton Roads market had trailed its peers in new construction for years, which resulted in low historical Class A leasing volume prior to 2020. The market started seeing an increase in Class A deliveries during 2020, which is when Class A leasing volume accelerated. Class A leasing activity is directly correlated to new deliveries, therefore leasing activity will continue as current construction delivers.

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume

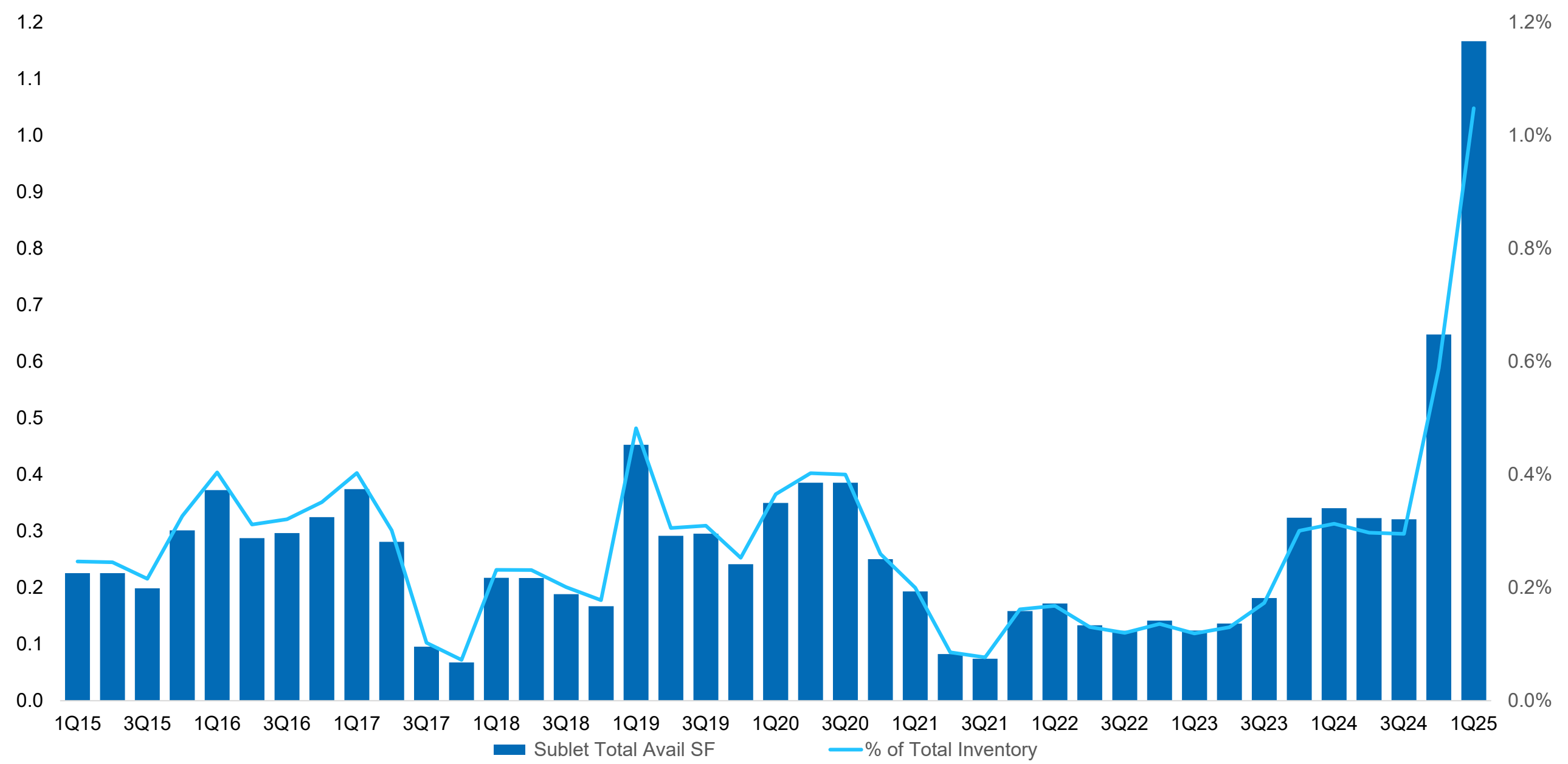


Source: Newmark Research, CoStar

Industrial Sublease Availability Increases, Although the Market Remains Tight

Although the market has seen an increase in available sublease space over the past few quarters, the market remains relatively tight, with roughly 1.2 MSF of available sublease space to end Q1 2025. This accounts for 1.0% of the market's total inventory. There were two main spaces that led to the increase in sublease available space during Q1 2025. There was 227,500 SF of sublease space put up as available at 1996 Northgate Commerce Parkway and 194,285 SF of sublease space put up as available at 2301 Aluminum Avenue.

Available Industrial Sublease Volume (MSF) and % of Total Inventory

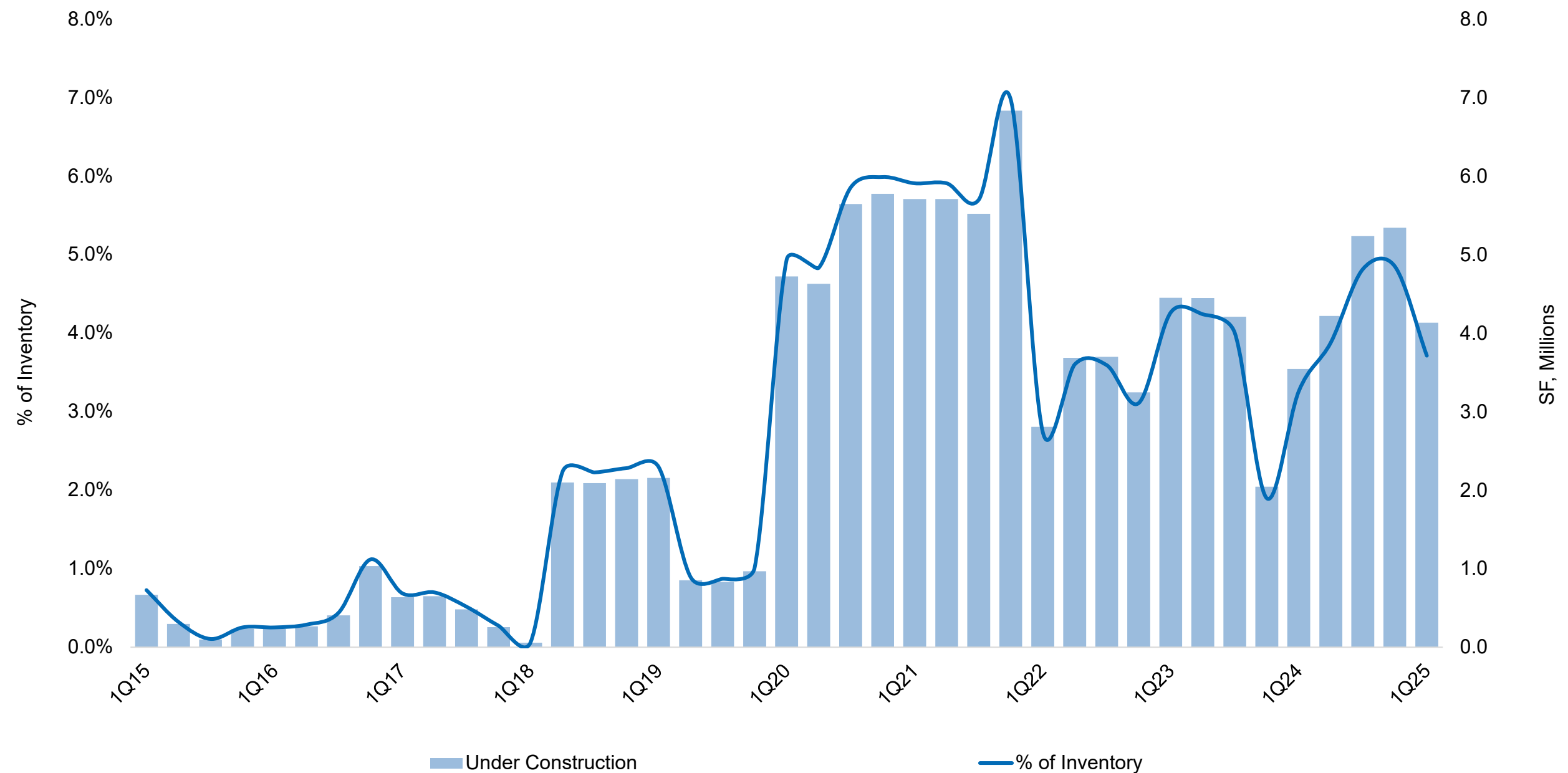


Source: Newmark Research, CoStar

New Construction Supply Remains Elevated

Industrial development has exploded in the Hampton Roads region during recent years, ending Q1 2025 with 13 properties under construction totaling over 4.1 MSF. After the market averaged only 0.8 MSF under construction from 2015 to 2019, development began accelerating in 2020 and reached a peak of 6.8 MSF under construction in Q4 2021. Since then, the market has maintained an elevated level of construction much higher than historical averages, although future development is expected to slow in the coming years with a pipeline much more limited in scale due to multiple reasons.

Industrial Under Construction and % of Inventory

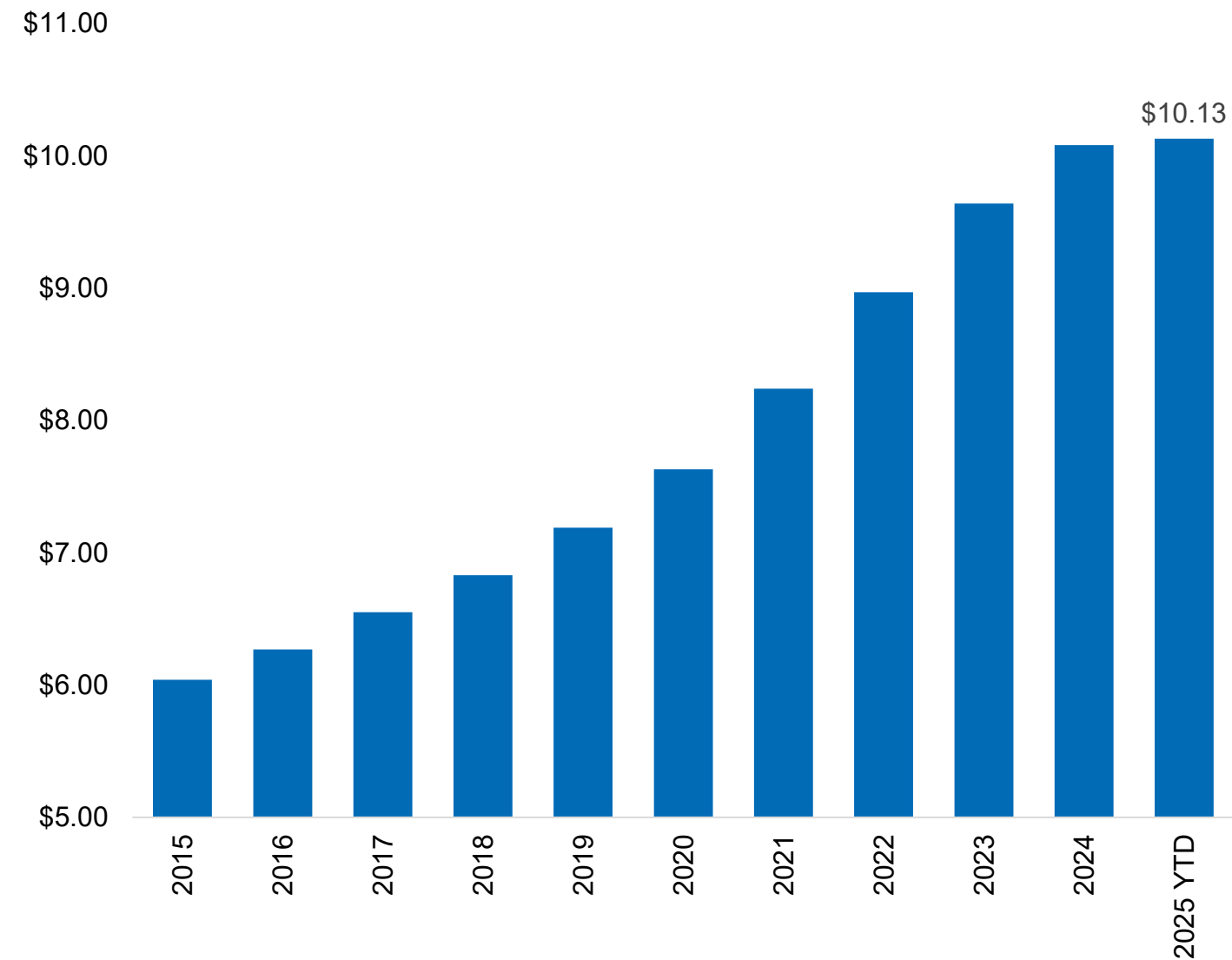


Source: Newmark Research, CoStar

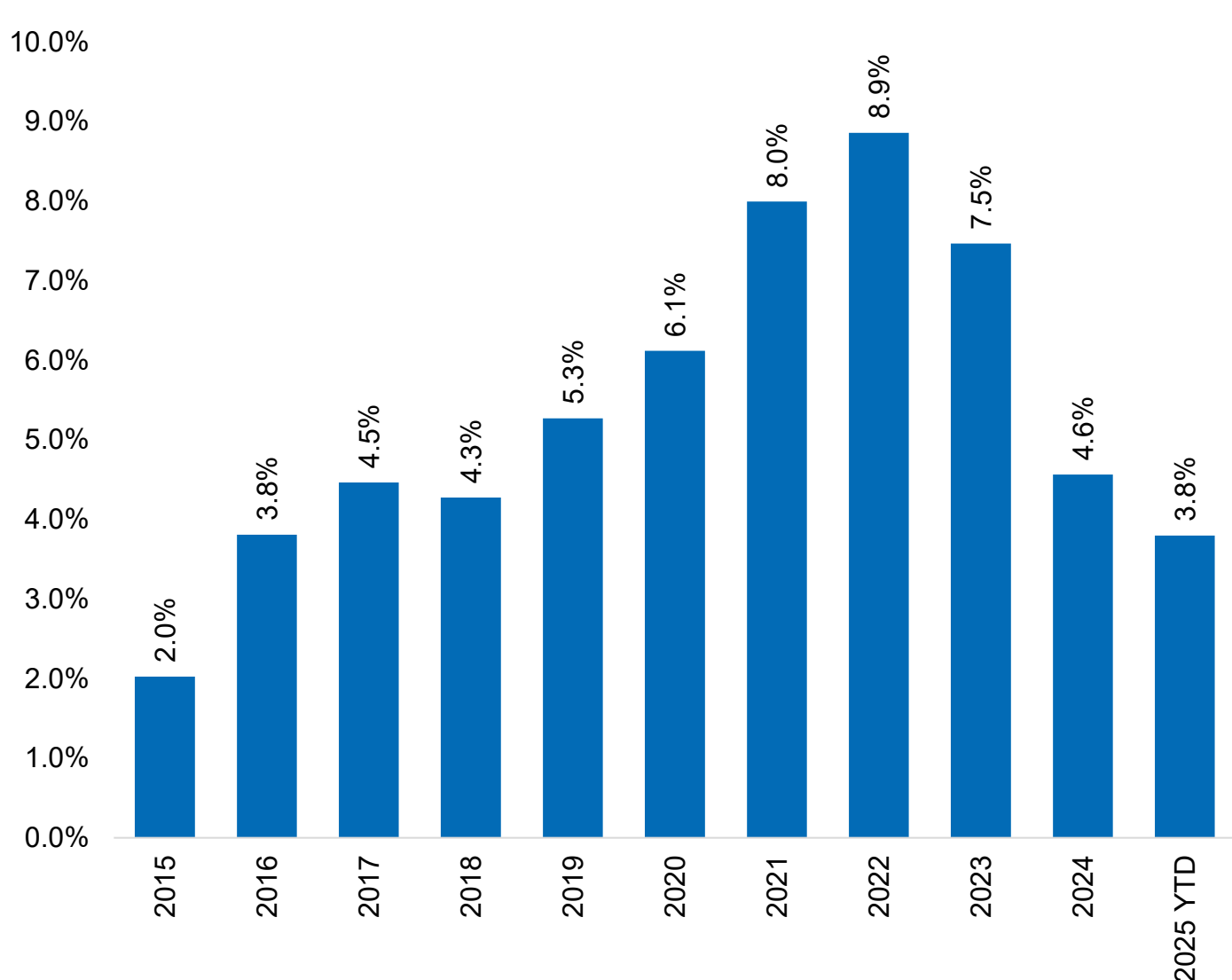
Asking Rents Continue Healthy Growth Despite Deceleration

Average asking rents ended Q1 2025 at \$10.13 PSF, an increase of 3.8% year-over-year. This is a stark deceleration in rent growth as the market averaged 8.1% annual rent growth from 2021-2023. Overall, the market has seen an impressive 40.9% increase in rents since the beginning of 2020.

Industrial Average Asking Rent, \$/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research, CoStar

Notable Lease Transactions

Four of the top five deals were located on the Southside, highlighting the recent activity in that area of the region. Ferguson, a leading industrial supply chain service provider, signed the largest deal of the quarter, renewing 58,000 SF of space at 2301 Aluminum Avenue, in Copeland.

Select Lease Transactions				
Tenant	Building	Submarket	Type	Square Feet
Ferguson	2301 Aluminum Avenue	Copeland	Lease Renewal	58,000
Tri-Star Freight Systems	1965 Northgate Commerce Parkway	South Suffolk	Direct Lease	44,200
Top Notch Commercial Service	2701 St. Julian Ave	Central Norfolk	Direct Lease	39,914
Fracht FWO Inc	5732 Bayside Road	Airport Industrial Park	Direct Lease	35,777
Rite Rug Co	1345 Taylor Farm Road	Lynnhaven	Direct Lease	19,875

Source: Newmark Research, CoStar

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Market Statistics





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