

NEWMARK

Hampton Roads Office Market Overview

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U.S. Market Observations



Economy

- The Hampton Roads unemployment rate continues to outperform the national average, measuring 3.8% in December of 2025. This is up 70 basis points year-over-year but remains 60 basis points below the national average.
- Hampton Roads maintains a diversified economy, with its top four industries each containing between 15-20% of all employees, leading to an overall total of 67.0% of the regional workforce. Government leads the way in the region, encompassing 20.0% of the regional workforce. It is followed closely by Trade/Transportation/Utilities, Education/Health, and Professional/Business Services, containing 16.0%, 16.0%, and 15.0% of the regional workforce, respectively.
- Hampton Roads has a top business climate, highlighted by having the second lowest cost of living and second lowest cost of doing business among the largest and most comparable metros nationally.



Leasing Market Fundamentals

- The Hampton Roads office market experienced 14,721 SF of positive net absorption during the first quarter of 2026, ending the quarter at a 12.7% vacancy rate, a tightening of 10 basis points quarter-over-quarter. This positive net absorption was concentrated on the Southside, which saw 31,550 SF of positive net absorption during the quarter. The CBD and Peninsula counteracted this by seeing 14,069 SF of negative net absorption and 2,760 SF of negative net absorption, respectively.
- Rents have shown positive movement recently, ending the first quarter of 2026 at \$23.33/SF, relatively flat quarter-over-quarter, however an increase of 2.3% year-over-year.
- Although there were no deliveries during the year, there are three properties, totaling 152,500 SF, under construction in the market. All three developments are located in the city of Chesapeake, one of the main office hubs of the region.



Major Transactions

- The largest transaction of the quarter was the sale of 1081 19th Street, a 32,435-square-foot, three-story office building located at the Virginia Beach Oceanfront. Ellis Gibson Development Group sold the Class B office building to Virginia Beach Vision for \$5.6 million, or \$171/SF. The property was 86.0% leased at the time of sale, however one tenant within the property, Venture Realty, was planning to vacate. The buyer will occupy 4,500 SF within the building and plans to perform significant capital improvements to the property.
- A second notable deal during the year was the sale of 484 Viking Drive, a 41,505-square-foot, two-story office building located within the Lynnhaven submarket of Virginia Beach. DSC Partners LLC sold the Class A office building to Alperin Law for \$5.2 million, or \$125.29/SF. Alperin Law purchased the building to occupy it as an owner-user.



Outlook

- A positive employment trajectory seems likely, with office employment 3.6% above pre-pandemic levels and accelerating population growth projected (3.1% from 2025-2030), leading to a solid foundation for future office demand.
- The region's #2 ranking for lowest cost of living and doing business among comparable metros, combined with strong labor market fundamentals (3.8% unemployment), positions Hampton Roads to attract relocations and expansions.
- The market has demonstrated consistent rent growth while many national markets stagnate, which suggests pricing power should persist given tight fundamentals, especially with a lack of supply-side pressure.

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Economy

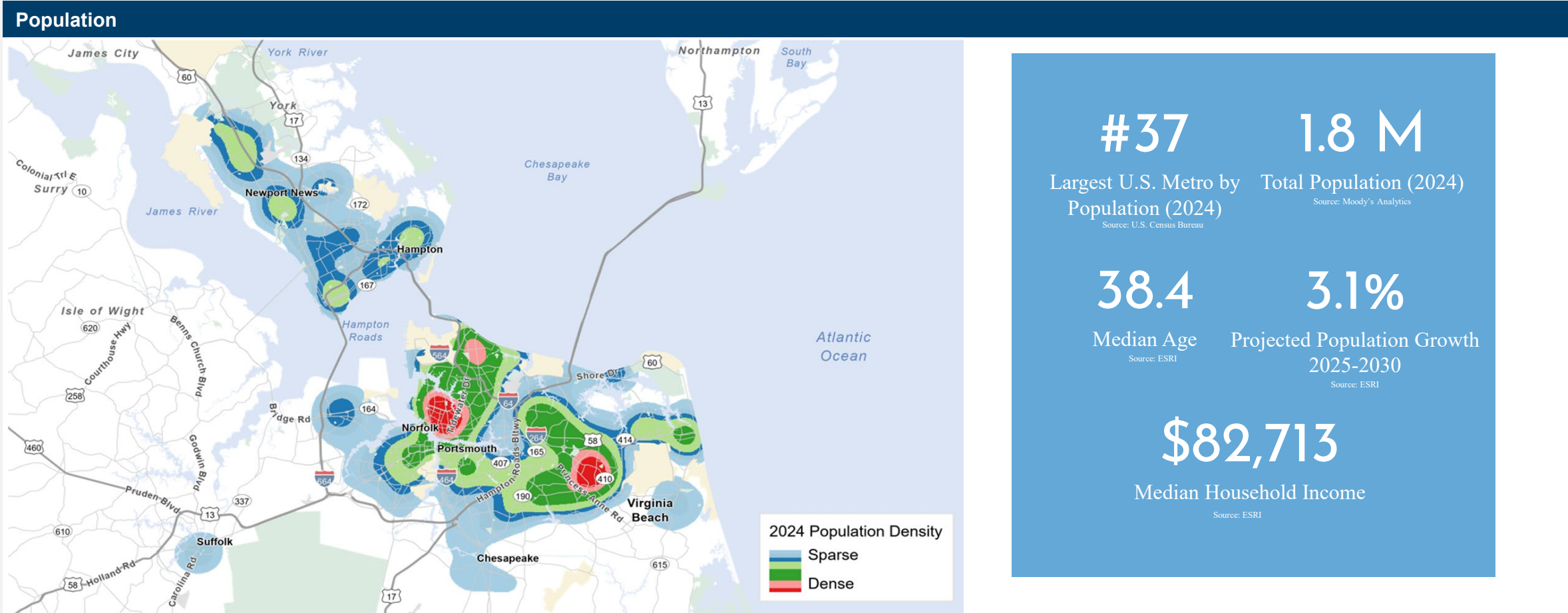
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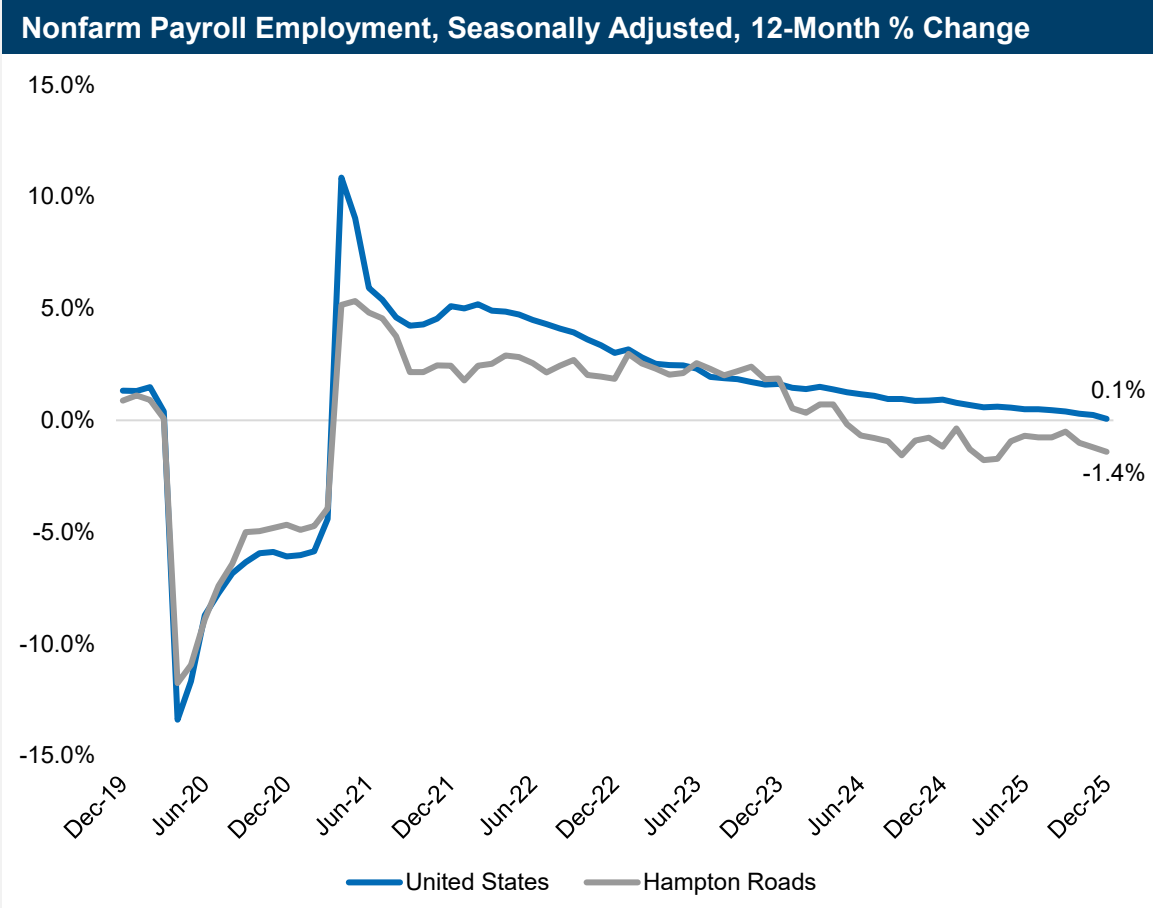
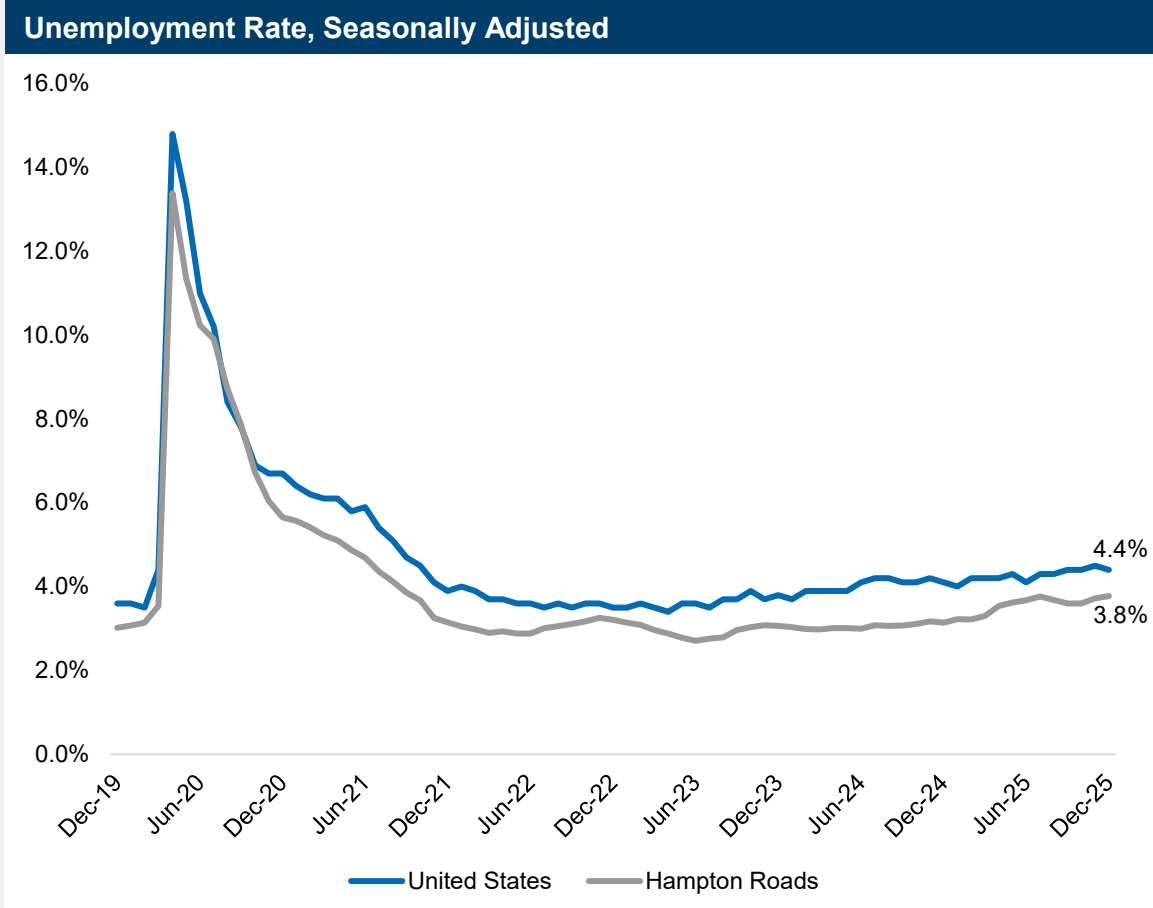
Hampton Roads Poised to See Elevated Population Growth

The Hampton Roads metropolitan area is the 37th largest in the nation with a population of roughly 1.8 million people. From 2019 to 2024, the Hampton Roads metro added approximately 35,851 residents, reflecting a growth rate of 2.0%. Looking forward, the region is expected to add 56,280 residents from 2025 to 2030, a projected growth rate of 3.1%.



Hampton Roads' Unemployment Rate Outperforms National Average

The Hampton Roads unemployment rate continues to outperform the national average, measuring 3.8% in December of 2025. This is up 70 basis points year-over-year but remains 60 basis points below the national average.

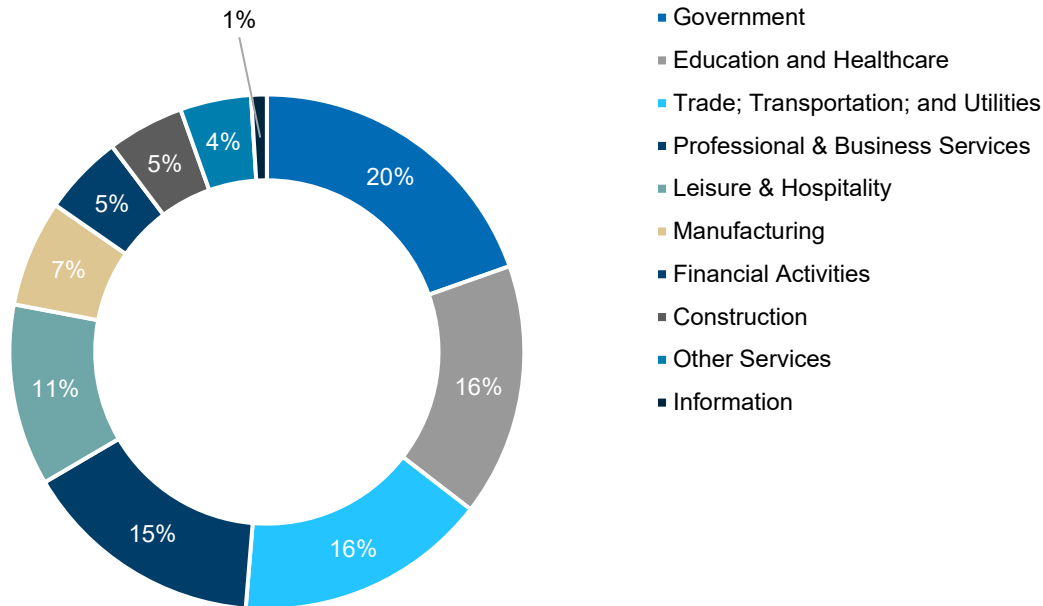


Source: U.S. Bureau of Labor Statistics, Hampton Roads
 *October 2025 government shutdown missing unemployment data addressed by duplicating September 2025's data

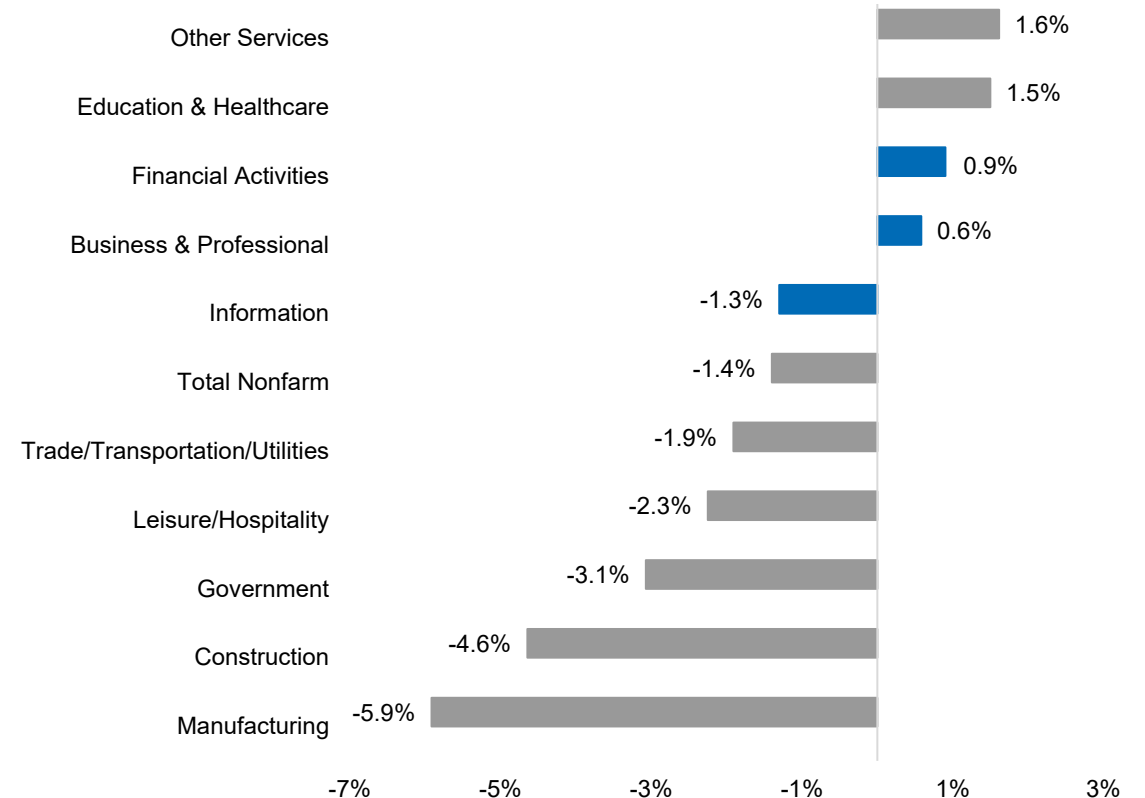
Total Employment Down Modestly Year-Over-Year

Hampton Roads has a relatively balanced local economy anchored by a mix of public-sector employment and industrial- and service-oriented private industries. Office-related sectors account for three of the top four sectors, with Government, Education and Healthcare, and Professional & Business Services making up 53.0% of the region's overall workforce. Over the past 12 months, total nonfarm employment declined 1.4%. Despite this, office sectors performed relatively positively, with Financial Activities seeing 0.9% growth, the Business & Professional sector seeing 0.6% growth, while the Information sector saw 1.3% decline, highlighting the tech sector's recent weakness.

Employment by Industry, December 2025

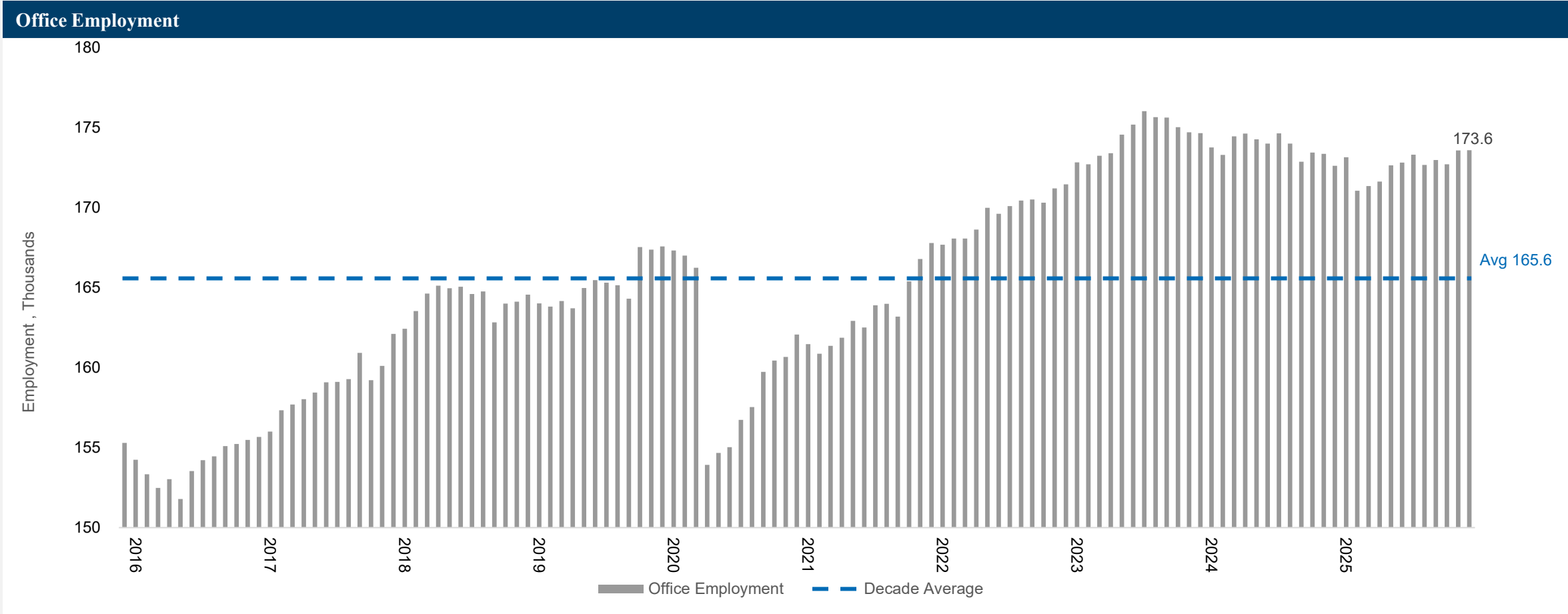


Employment Growth by Industry, 12-Month % Change, December 2025



Office Employment Remains Elevated

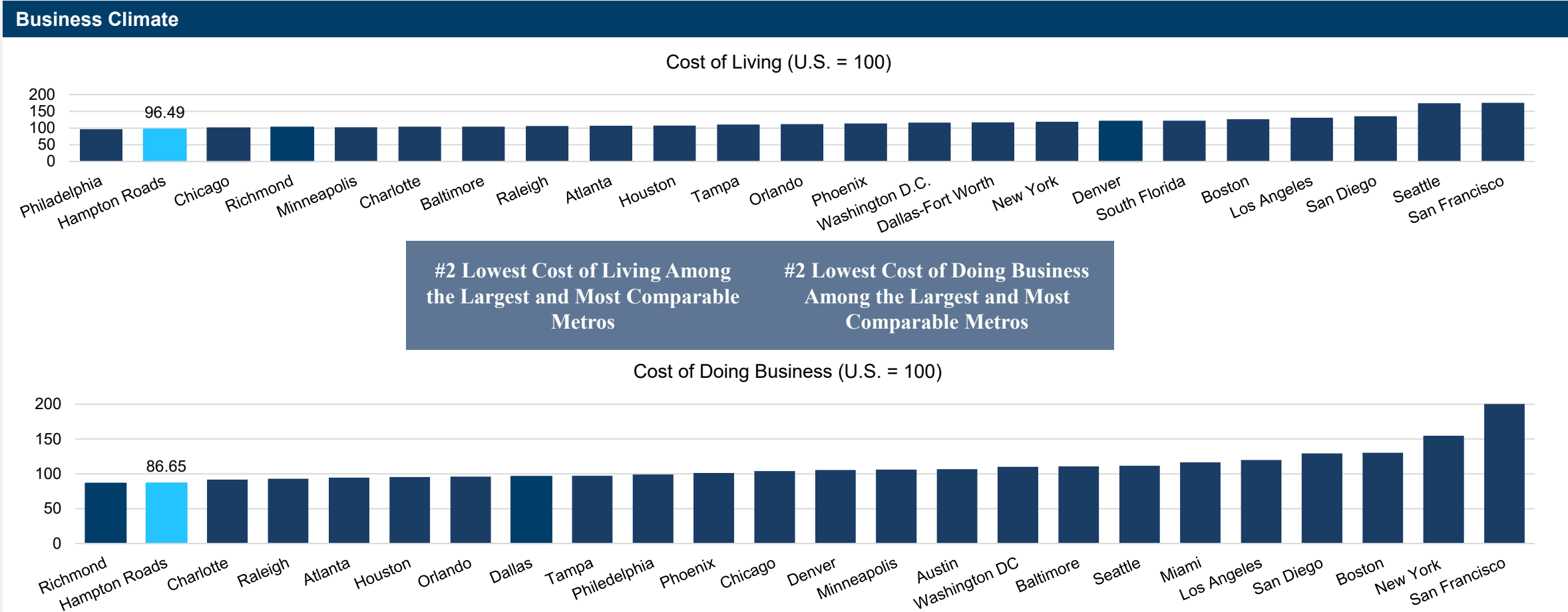
The number of office jobs in Hampton Roads has rebounded and remains elevated above pre-pandemic levels. Employment ended December 2025 at 173,600 employees, 3.6% higher than the pre-pandemic high in December 2019 and an increase of 12.8% since the market reached a pandemic-related low in April of 2020. The recent growth in the office-related sectors bodes well for future demand.



Source: U.S. Bureau of Labor Statistics, Hampton Roads
 *Office employment includes employment in the following industry sectors: Business & Professional, Financial Activities, and Information.

Hampton Roads Has a Top Business Climate

The Hampton Roads metro has the second-lowest cost of business among the largest and most comparable metros in the U.S. This lower cost of doing business contributes to the region’s attractiveness as a place to call home. Furthermore, Hampton Roads has the second-lowest cost of living and is considered very affordable relative to large and comparable metros nationally, allowing the metro to be extremely competitive in providing people and employees a better quality of life.



Source: Newmark Research, Moody's Analytics

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Leasing Market Fundamentals

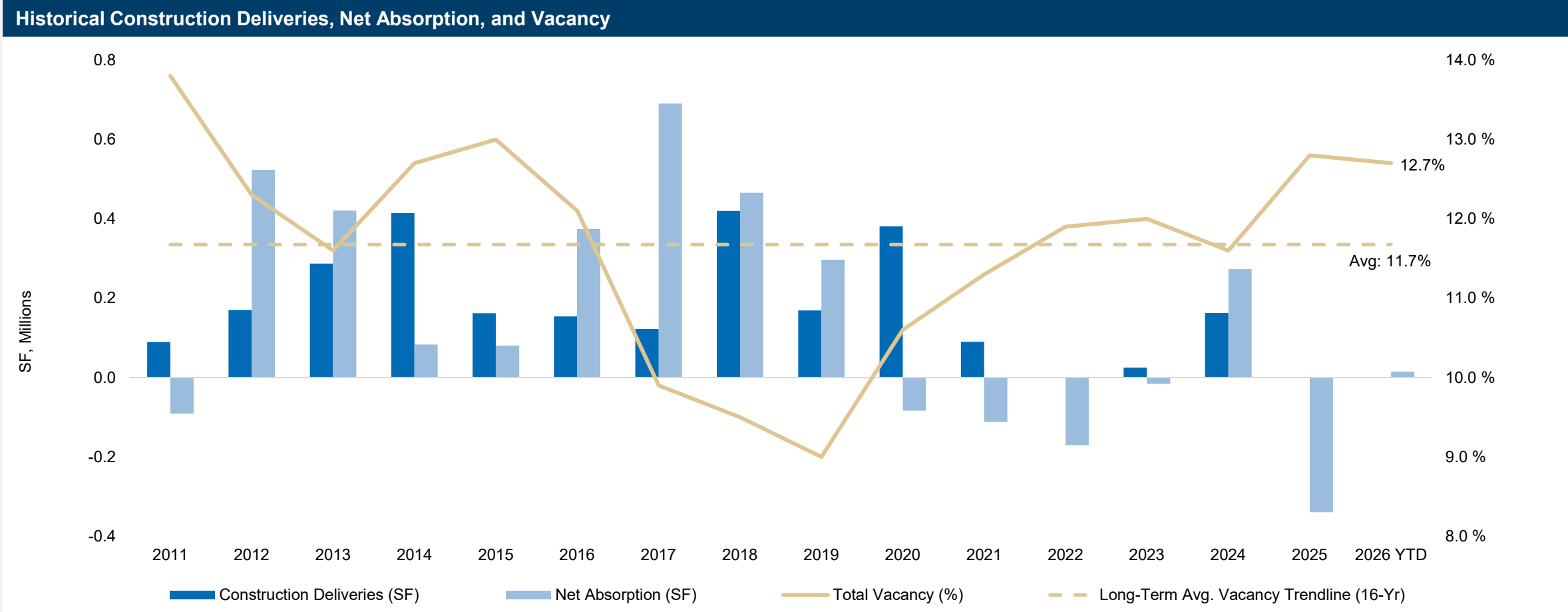
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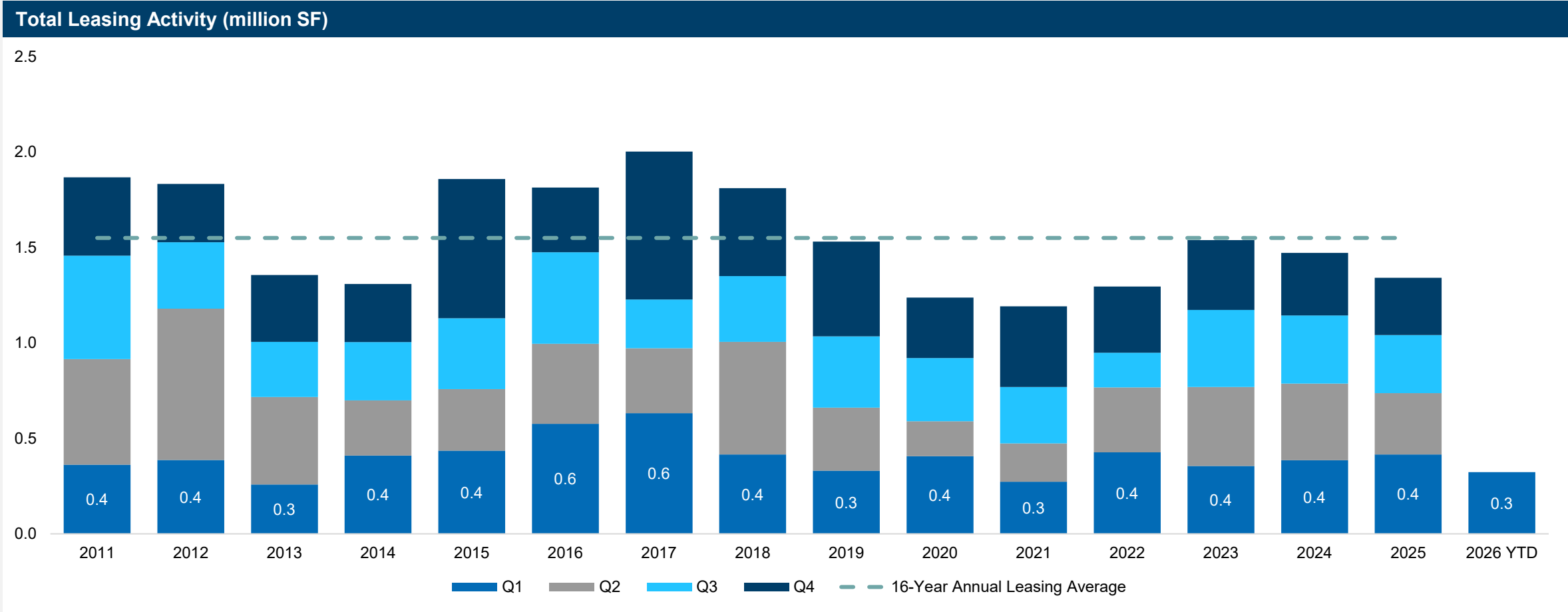
Hampton Roads Remains Stable Relative to Markets Nationally

The Hampton Roads office market experienced 14,721 SF of positive net absorption during the first quarter of 2026. This positive absorption was concentrated on the Southside, which saw 31,550 SF of positive net absorption during the quarter, largely due to an undisclosed tenant occupying over 14,000 SF of space at 6340 Center Drive within the Newtown/Witchduck submarket of Norfolk. The market ended the quarter at a 12.7% vacancy rate, a tightening of 10 basis points quarter-over-quarter, however an expansion of 110 basis points year-over-year. Overall, the market has been consistently expanding since ending 2019 at a historically tight vacancy rate of 9.0%. Despite this recent expansion in vacancy, the market is performing extremely well nationally.



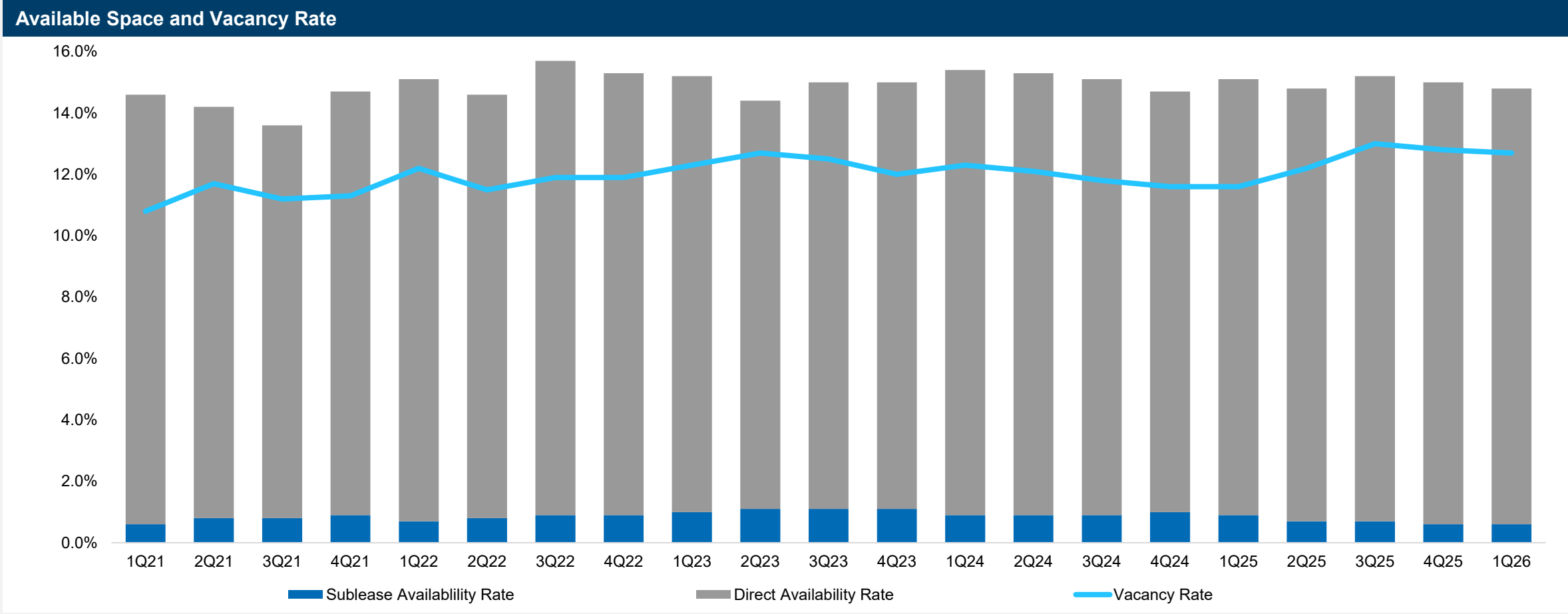
Leasing Activity Remains Stable Despite Deceleration

The Hampton Roads market experienced 300,000 SF of leasing activity during the first quarter of 2026, which is slightly below historical averages. The market’s leasing activity has been impressively stable during recent years, seeing between 1.2 million SF and 2.0 million SF of transaction volume each year from 2010-2025, highlighting the market’s resilience during economic downturns.



Vacancy and Availability Contract to Begin 2026

Vacancy ended the first quarter of 2026 at 12.7%, tightening 10 basis points quarter-over-quarter, although expanding 110 basis points year-over-year. Vacancy initially expanded from 9.0% during the beginning of 2020 to 12.7% in 2023. Since that point, the market’s vacancy rate stabilized around 12.0% to 13.0%. Availability ended the first quarter of 2026 at 14.8%, tightening 20 basis points quarter-over-quarter and 30 basis points year-over-year. Direct available space ended the quarter at 14.2%, tightening 20 basis points quarter-over-quarter, while sublease available space stayed flat quarter-over-quarter, ending the quarter at 0.6%. Hampton Roads remains one of the tightest markets in the country in terms of sublease availability rate.





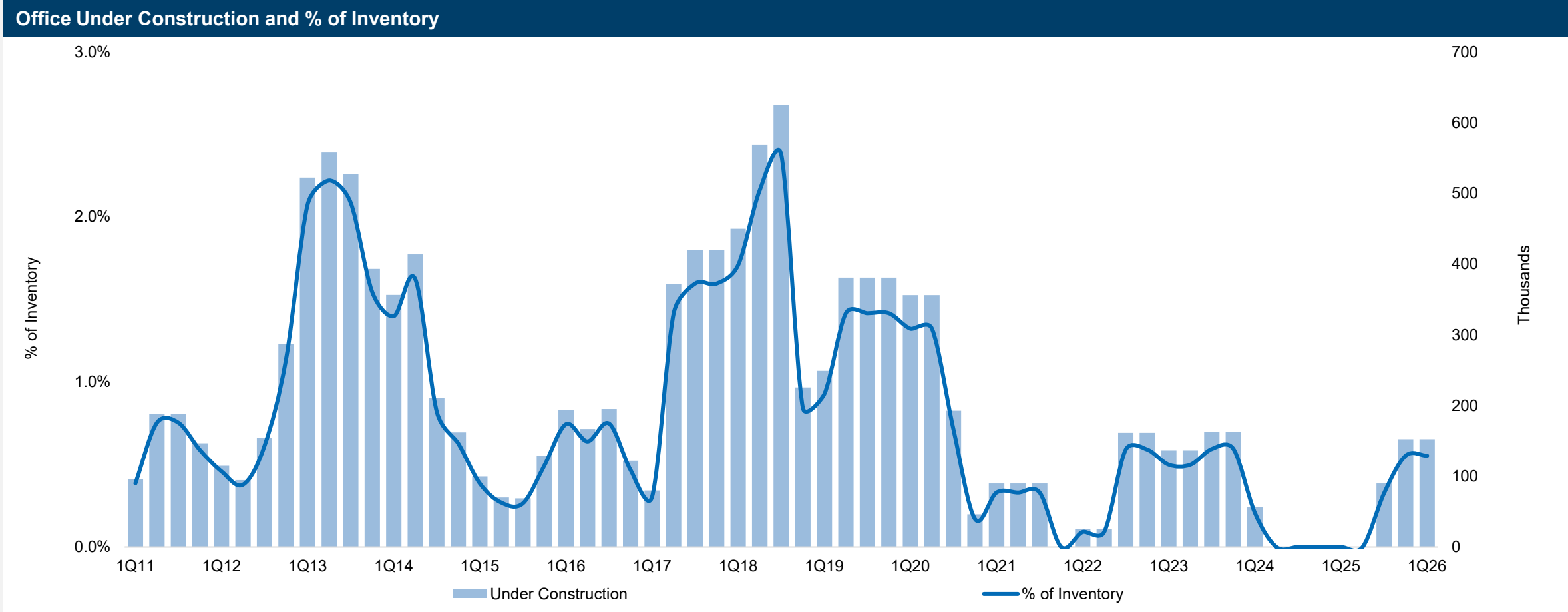
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Construction Near Highest Levels Since 2020

There are three properties under construction, totaling over 150,000 SF, leading to some of the highest levels of product under construction since 2020. All three developments are located in the city of Chesapeake, one of the main office hubs of the region. These developments are highlighted by Lake Center III, a 90,000-square-foot office building located at 701 Independence Parkway within the Battlefield submarket. The four-story, Class A office building broke ground in August of 2025, with an estimated delivery in June of 2027.





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Market Statistics

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