NEWMARK

Hampton Roads Industrial Market Overview

1Q26

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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 bps year-over-year but remains 60 basis points below the national average.
- The industrial market is one of the region's primary economic drivers. Trade/Transportation/Utilities remains the third-largest industry in the region, making up 16.0% of the regional workforce, only behind the Government sector and Education and Healthcare sector. The manufacturing sector makes up a smaller portion of employment, at 7.0%.
- The number of industrial jobs declined in 2025, with employment down 3.1% year-over-year, as the negative effects of the tariff policies seem to be showing up in the industrial employment numbers. Industrial sectors ended December of 2025 with 193,400 employees, 0.5% below the ten-year average but an increase of 23.8% since the market reached a historical low in May of 2020.

Leasing Market Fundamentals

- The market saw positive momentum to begin 2026, recording approximately 1.0 million SF of positive net absorption during the first quarter, tightening vacancy to 7.1%. This positive net absorption was spread throughout the market, highlighted by an undisclosed government contractor occupying 113,000 SF of space at 725 City Center Boulevard in Newport News.
- Rent growth continued, with average asking rents ending the first quarter of 2026 at $9.39/SF, a quarter-over-quarter growth of 1.0%. While well below the elevated gains seen from 2021–2023, rents remain 72.9% higher than 2020 levels, underscoring long-term pricing strength.
- Construction activity cooled during the first quarter of 2026 following a heavy delivery cycle during 2025. The market closed 2025 with 5.1 million SF of deliveries and saw only one delivery totaling 42,500 SF during the first quarter of 2026. There remain six properties totaling 2.5 million SF under construction.

Major Transactions

- The largest sale of the quarter was the sale of a 278,670-square-foot distribution building located at 2150 Enterprise Drive in Suffolk. Equus Capital Partners sold the property to Elm Tree Funds for $68.6 million, or $246.06/SF. The Class A warehouse, which was built in 2022, was fully occupied by Amazon at the time of sale, which has 12 years of term remaining on its lease.
- The second largest sale of the quarter was the sale of a 366,448-square-foot manufacturing facility located at 25400 Old Mill Road in Windsor. The Class A facility, built in 2006, was sold by Keurig to Schenley Investments for $20.2 million, or $55.12/SF. The property was formerly known as the Green Mountain / Keurig Building and was occupied by the seller as a processing and distribution facility for Keurig coffee pods. Keurig announced plans to close the facility in 2024 and vacated it in January of 2026 prior to the sale in March of 2026. The buyer has rebranded the property as the Virginia Trade Center and intends to lease the building after modernizing the facility.

Outlook

- Infrastructure investment remains a long-term tailwind for industrial demand. The Hampton Roads Bridge-Tunnel expansion, slated for completion in 2027, is expected to materially improve regional connectivity by reducing congestion and travel times, supporting distribution efficiency and reinforcing Hampton Roads' role as a strategic logistics and port-oriented market.
- Near-term fundamentals may remain under pressure as delivered supply works through the market. While construction activity has slowed meaningfully, the 5.2 MSF delivered in 2025 is expected to continue weighing on vacancy in the near term, particularly for newly delivered speculative space still in lease-up.
- Demand is likely to skew toward infill and well-located assets, with slower absorption for newer product in peripheral locations. Class A space should continue to capture a disproportionate share of tenant interest, though lease-up timelines may remain extended until supply and demand rebalance.

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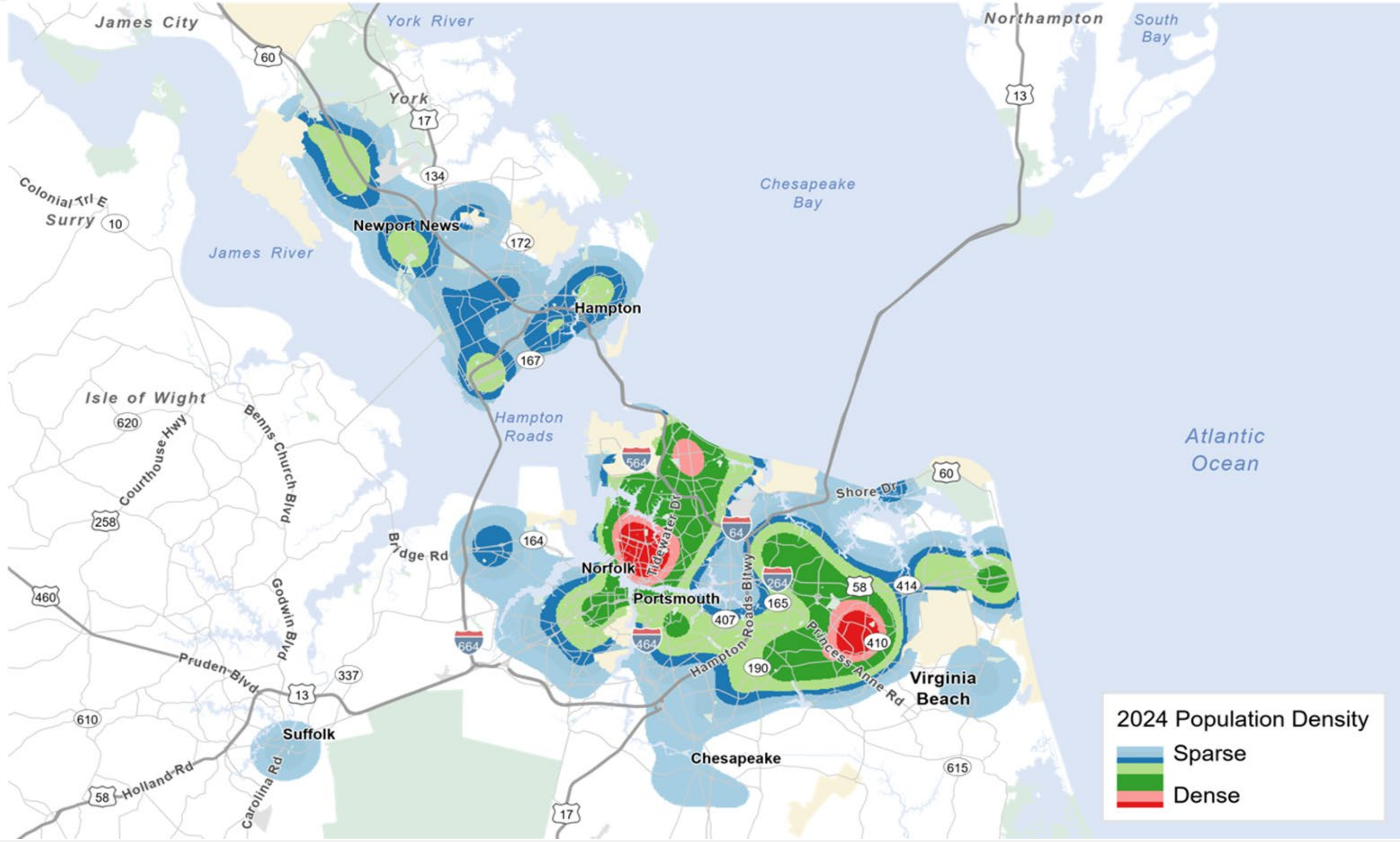
Economy

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 Richmond 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%.

Population



#37

Largest U.S. Metro by Population (2024)

Source: U.S. Census Bureau

1.8 M

Total Population (2024)

Source: Moody's Analytics

38.4

Median Age

Source: ESRI

3.1%

Projected Population Growth 2025-2030

Source: ESRI

$82,713

Median Household Income

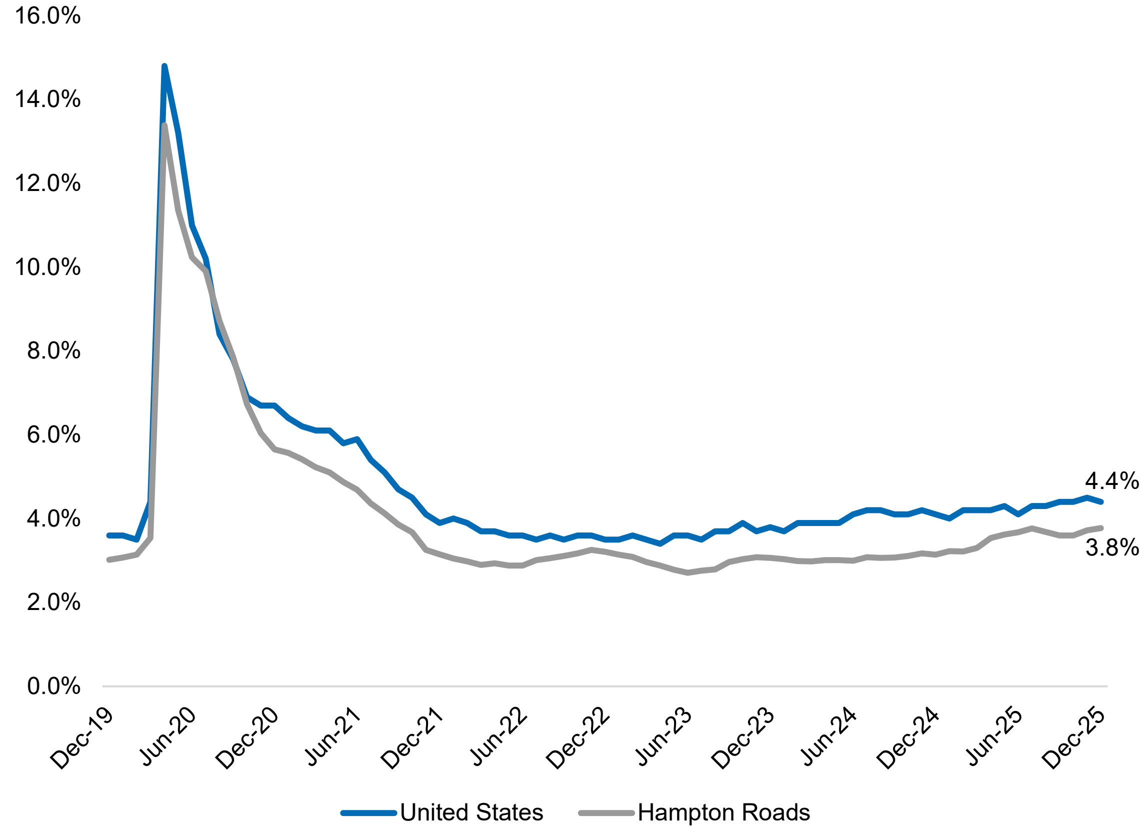
Source: ESRI

Source: Newmark Research, Moody's Analytics

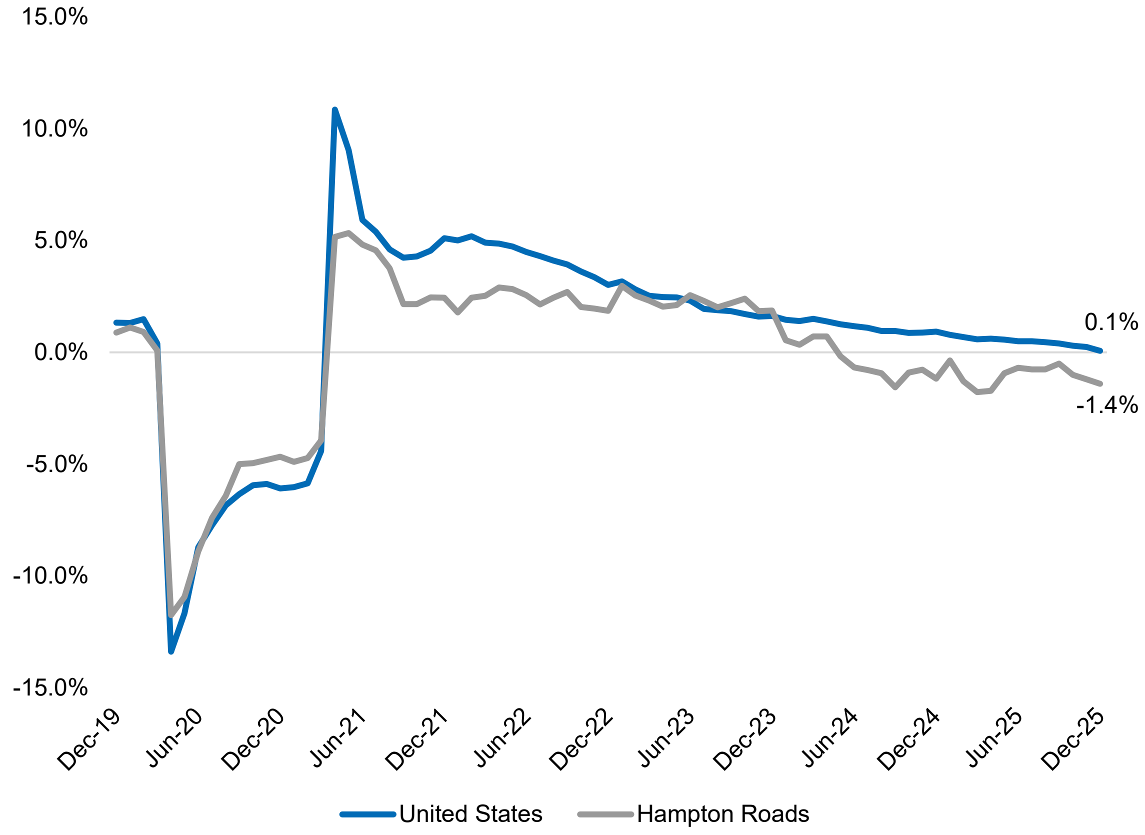
Hampton Roads’ Unemployment Rate Outperforms National Average

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.

Unemployment Rate, Seasonally Adjusted



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

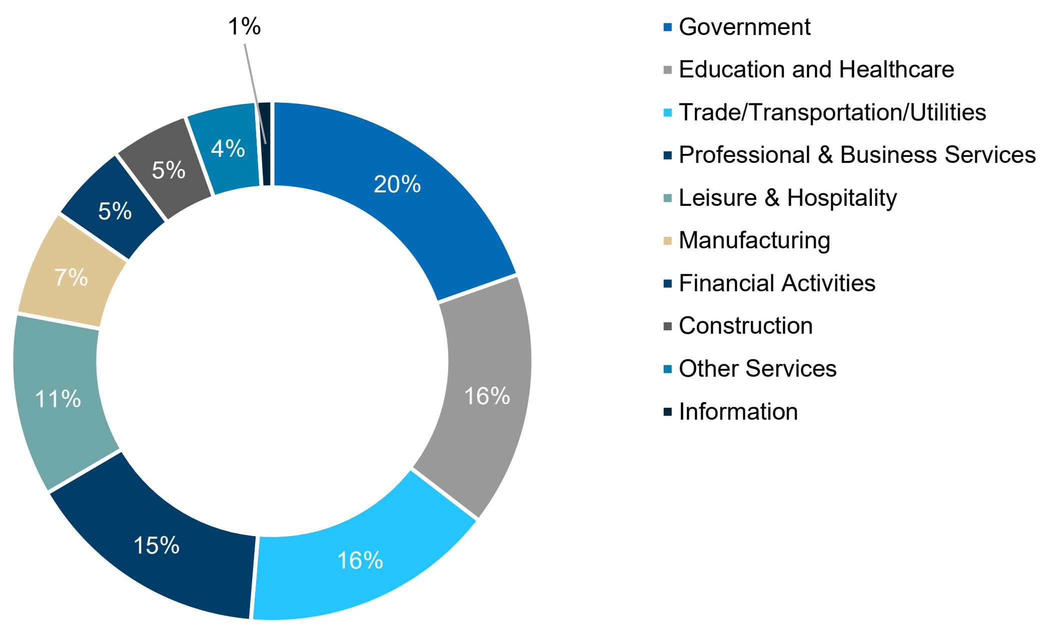


Source: U.S. Bureau of Labor Statistics, Hampton Roads
*October 2025 government shutdown missing unemployment data addressed by duplicating September 2025’s data

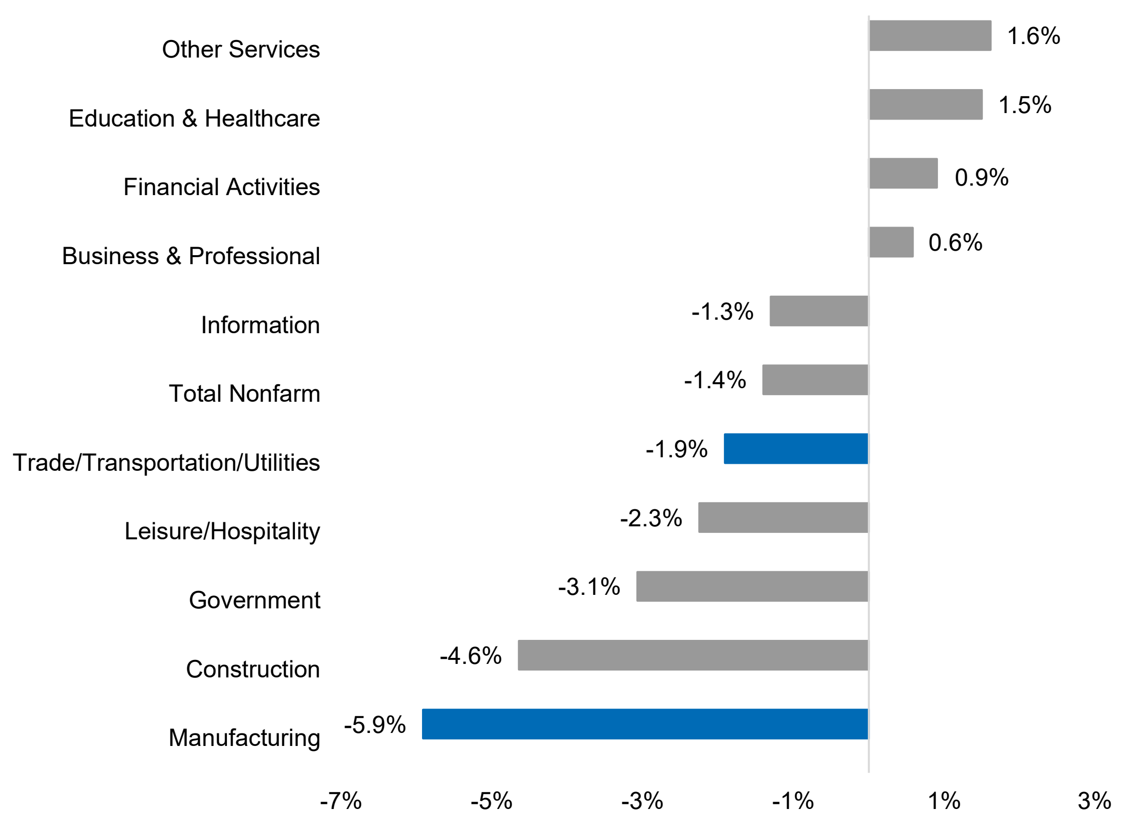
Total Employment Down Modestly Year-Over-Year

Hampton Roads has a relatively balanced local economy anchored by a mix of public-sector employment and industrial- and service-oriented private industries. Over the past 12 months, total nonfarm employment declined 1.4%, with Trade/Transportation/Utilities declining 1.9% and manufacturing declining 5.6%. Despite this negative movement, Trade/Transportation/Utilities remains the third-largest sector in the region, accounting for 16.0% of total regional employment.

Employment by Industry, December 2025



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

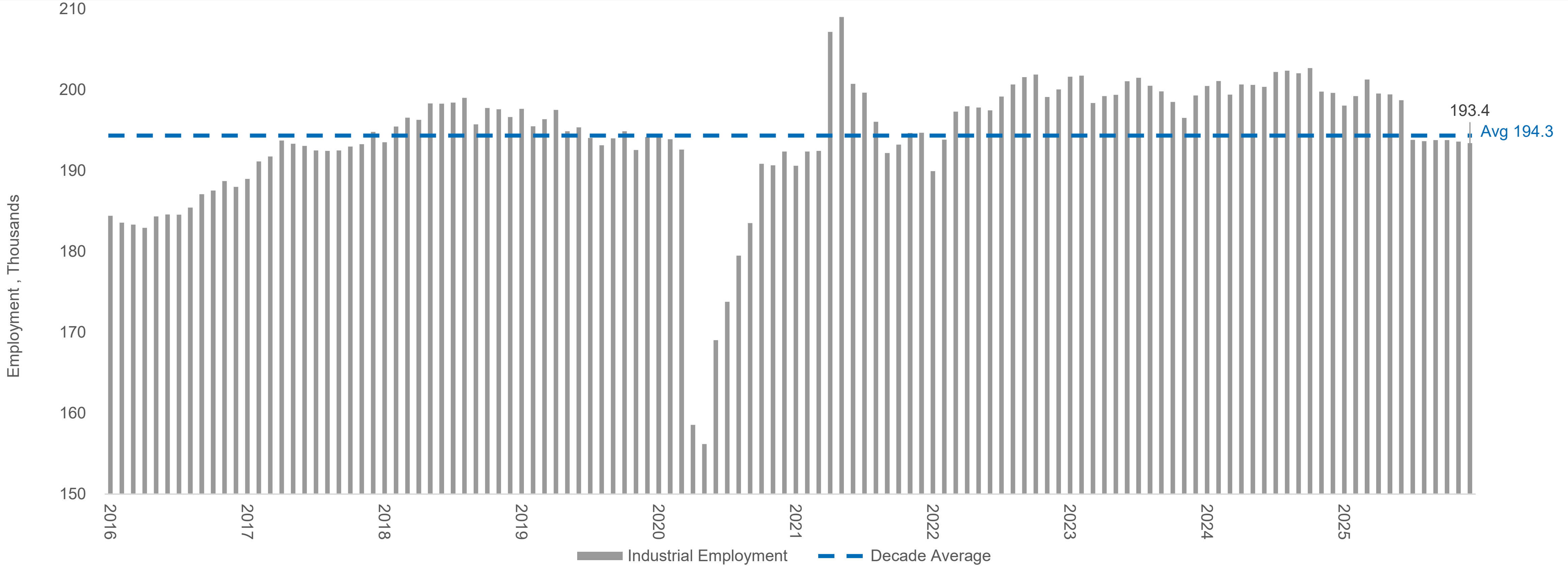


Source: U.S. Bureau of Labor Statistics, Hampton Roads

Industrial Employment Falls Below Historical Average

Industrial employment in Hampton Roads softened in 2025, with payrolls declining from late-2024 levels and trending below longer-term norms. As of December of 2025, industrial employment totaled approximately 193,400 jobs, representing a 3.1% decline year-over-year and sitting 0.5% below the ten-year average of roughly 194,300 jobs. Despite the recent pullback, industrial employment remains notably above pandemic-era lows, up 23.8% from the trough recorded in May of 2020, highlighting the sector's longer-term recovery even as near-term conditions moderate.

Industrial Employment



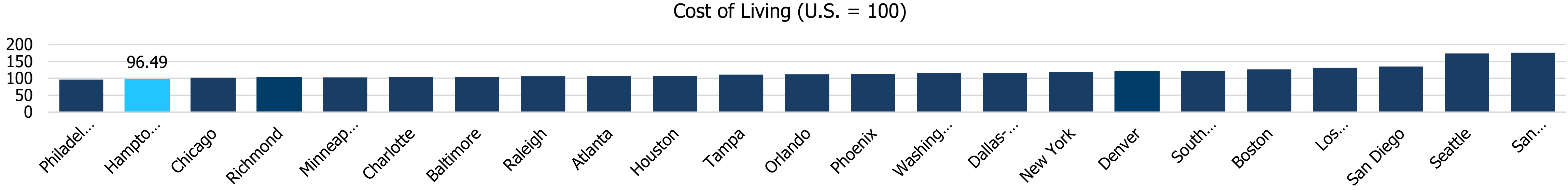
Source: U.S. Bureau of Labor Statistics, Hampton Roads

*Industrial employment includes employment in the following industry sectors: Trade/Transportation/Utilities and Manufacturing.

Hampton Roads Has a Top Business Climate

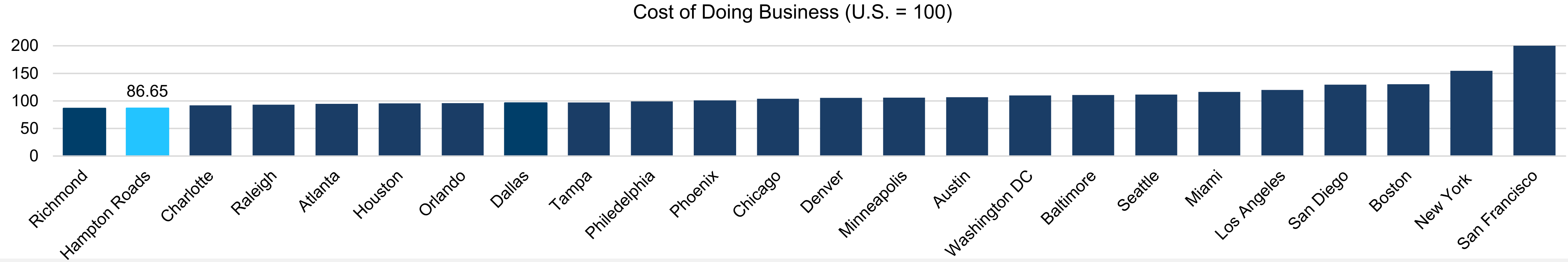
The Hampton Roads metro has the second-lowest cost of business among the largest and most comparable metros in the U.S. This lower cost of doing business contributes to the region's attractiveness as a place to call home. Furthermore, Hampton Roads has the second-lowest cost of living and is considered 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.

Business Climate



#2 Lowest Cost of Living Among the Largest and Most Comparable Metros

#2 Lowest Cost of Doing Business Among the Largest and Most Comparable Metros



Source: Newmark Research, Moody's Analytics

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Leasing Market Fundamentals

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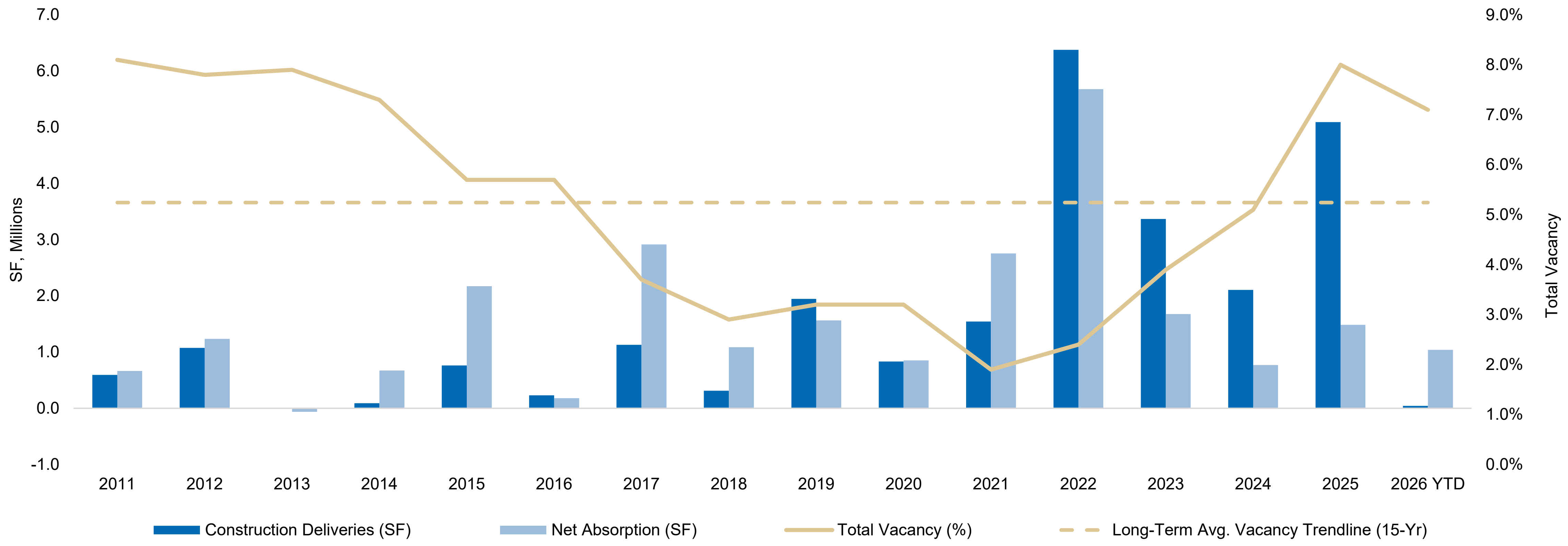
Hampton Roads Industrial Market Sees Demand Accelerate to Begin 2026

Since 2022, the Hampton Roads industrial market has experienced expanding vacancies amid elevated delivery activity and moderating demand. During the first quarter of 2026, however, the market saw a slowdown in delivery activity and an increase in demand, leading to a tightening of the vacancy rate for the first time in five years. During the quarter, the market experienced over 1.0 million SF of positive net absorption while seeing only one delivery totaling 42,500 SF. As a result, vacancy tightened 90 basis points, ending the quarter at 7.1%. Despite the tightening in the vacancy rate, the market remains well above its 15-year average of 5.1%. With additional projects remaining in the construction pipeline, near-term fundamentals will remain sensitive to leasing velocity, and sustained improvement will depend on continued tenant demand to better absorb new inventory.

Historical Construction Deliveries, Net Absorption, and Vacancy

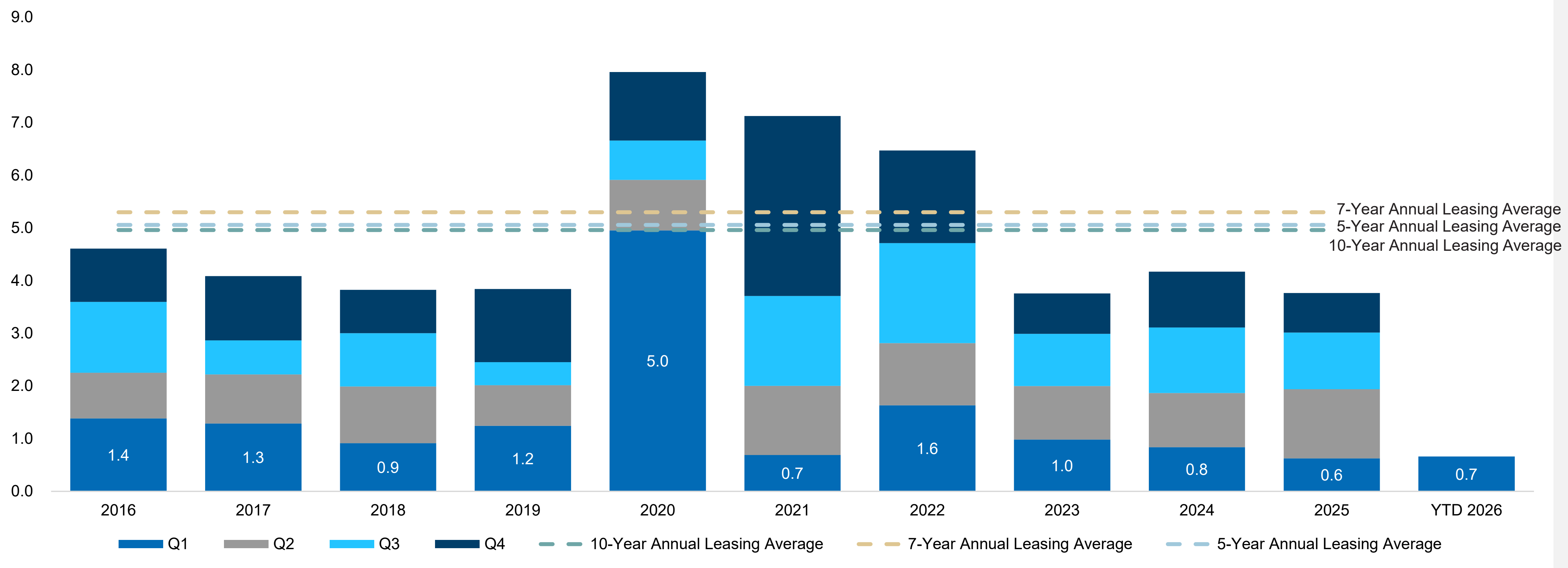


Source: Newmark Research

Industrial Leasing Activity Up Compared to First Quarter of 2025

The Hampton Roads industrial market's leasing activity was relatively slow during the first quarter of 2026, ending the quarter with approximately 700,000 SF of activity. This follows a four-year trend of declining leasing activity since the market hit a peak of 5.0 MSF during the first quarter of 2020. Despite the recent slowdown, the region's strategic positioning as a logistics and defense-oriented market, supported by port activity and mission-critical supply chains should continue to generate steady industrial demand.

Total Leasing Activity (msf)

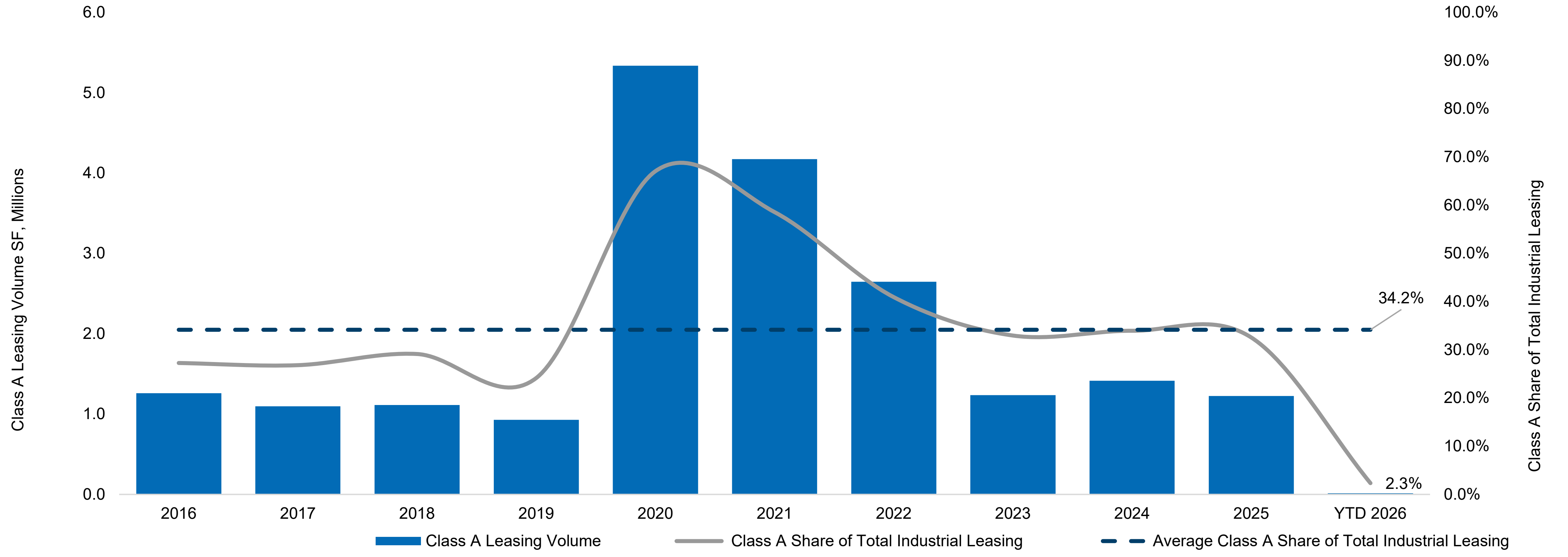


Source: Newmark Research

Class A Share of Industrial Leasing Below Recent Highs

Class A industrial leasing activity has seen consistent declines since the market saw record-highs from 2020 to 2022. During the first quarter of 2026, Class A space accounted for only 2.3% of total industrial leasing, drastically below the 10-year average of 34.2%. This is an abnormality over recent years and is likely not indicative of a future trend. The Hampton Roads market had trailed its peers in new construction for years, resulting in limited Class A inventory 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

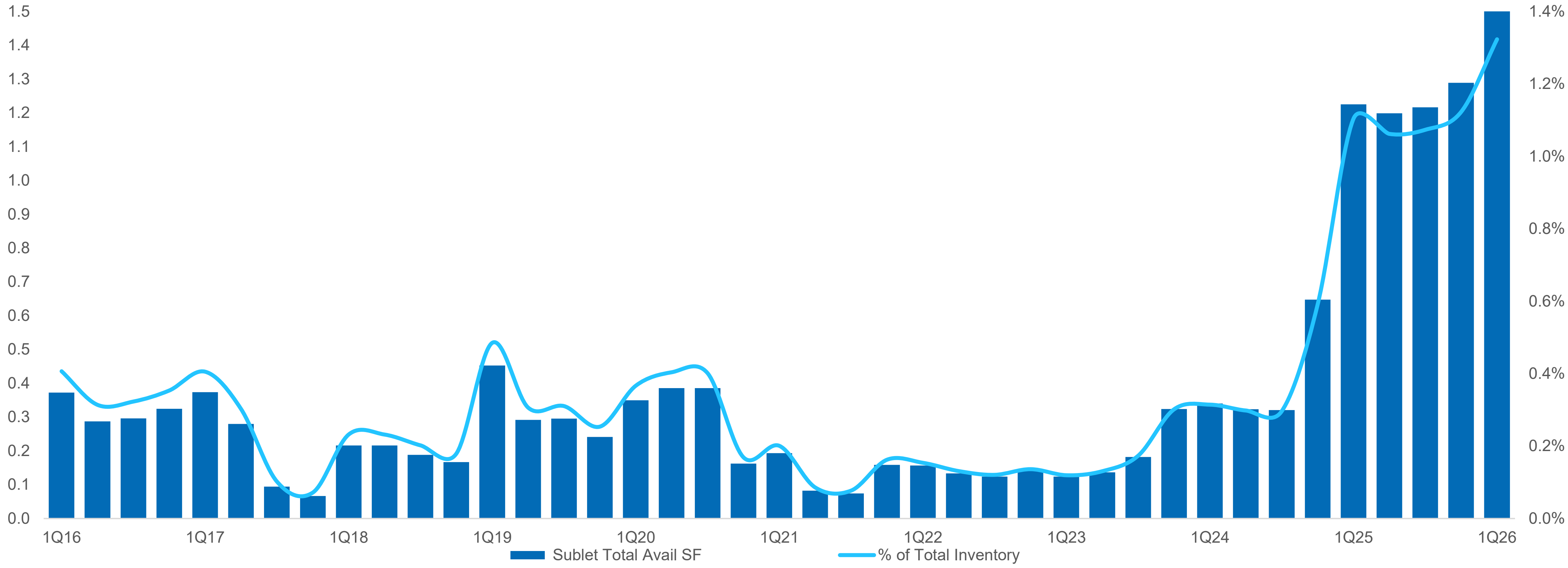


Source: Newmark Research

Industrial Sublease Availability Remains Elevated During First Quarter

Available sublease space remains elevated, totaling approximately 1.5 MSF at the end of Q1 2026 and accounting for 1.3% of total market inventory. While sublease availability remains relatively tight, current levels are nearly four times the ten-year average and roughly a 24.0% increase year-over-year.

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

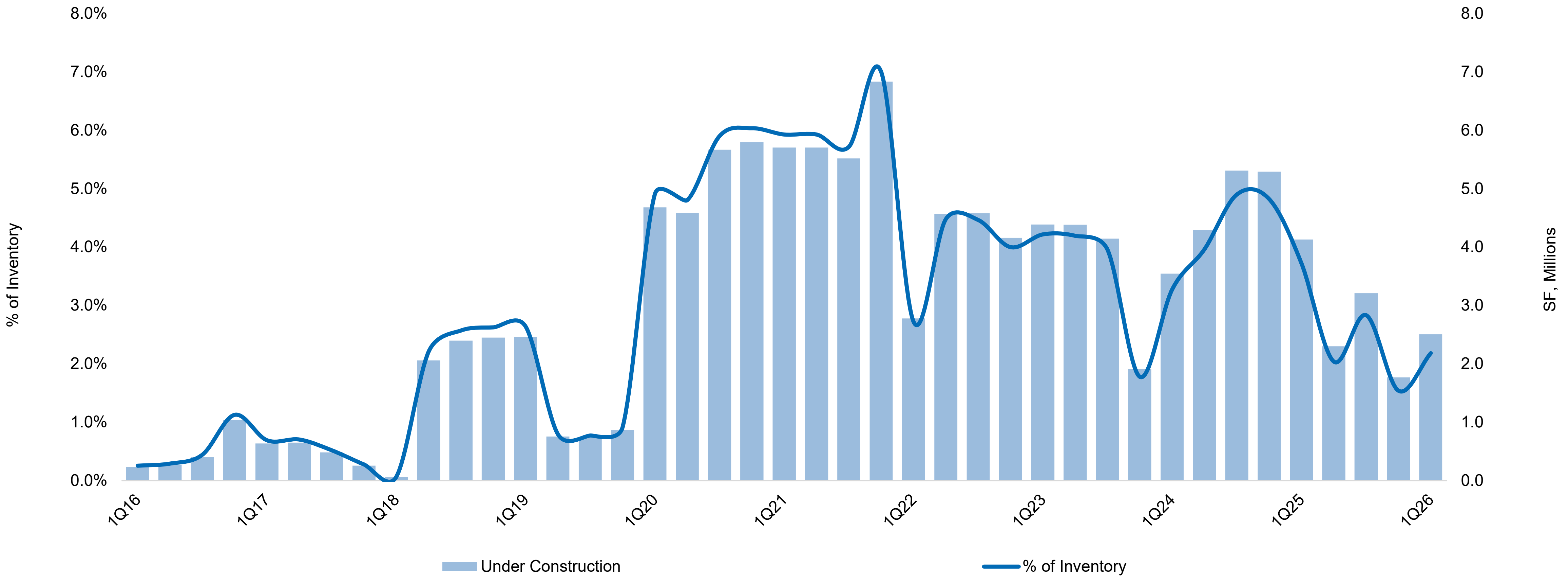


Source: Newmark Research

Industrial Construction Eases from Recent Peak Levels

Industrial construction activity in Hampton Roads has slowed significantly in recent years. The market ended the first quarter of 2026 with approximately 2.5 MSF under construction, representing 2.2% of total inventory. Overall, the construction pipeline lags behind the five-year average of 4.1 MSF and the ten-year average of 3.0 MSF. This marks a sharp pullback from the recent development cycle peak of 6.8 MSF under construction at the end of 2021, reflecting a combination of project completions, fewer speculative starts, and more disciplined capital deployment. Since then, the market has maintained construction levels above historical averages. However, the reduced construction pipeline should help limit new vacancy pressure in the near term.

Industrial Under Construction and % of Inventory

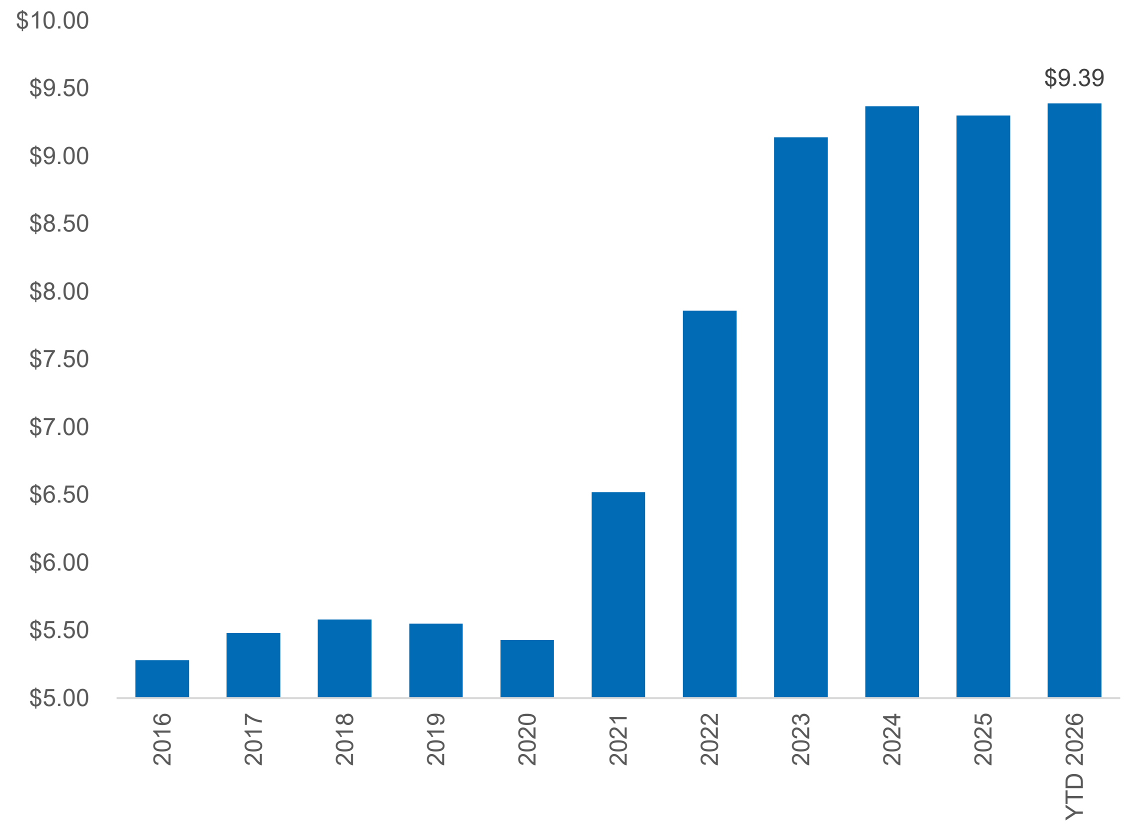


Source: Newmark Research

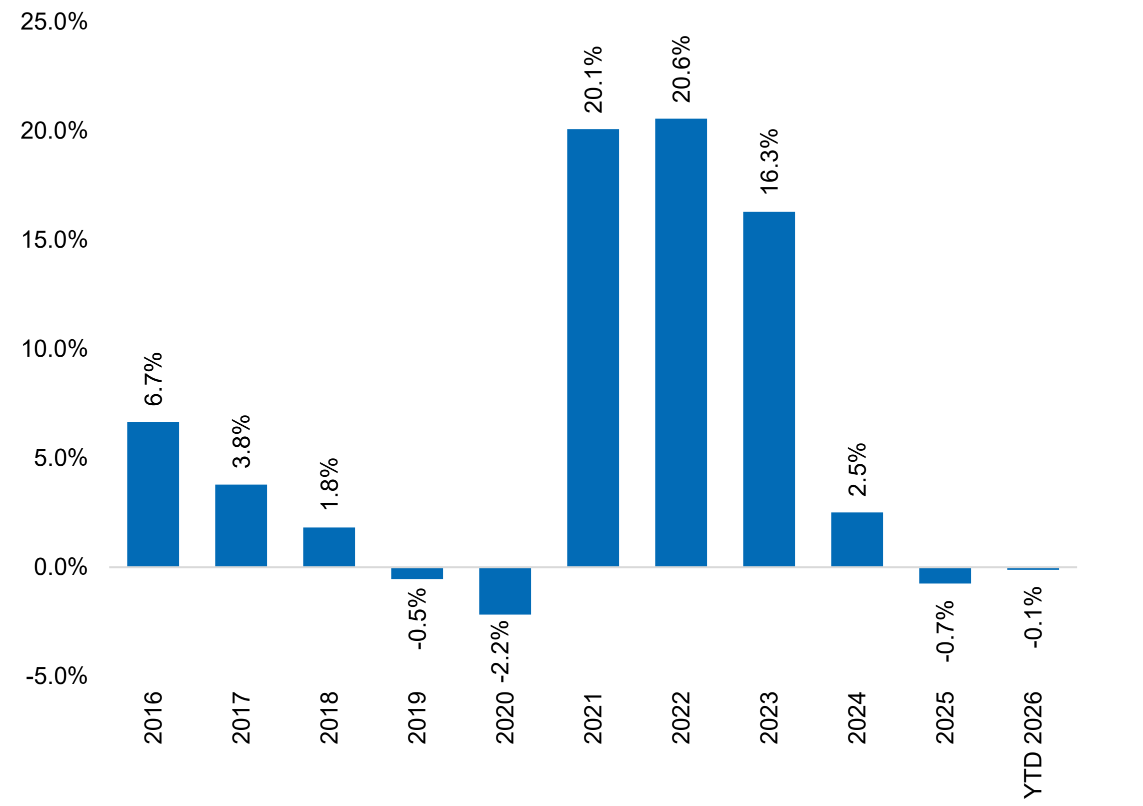
Asking Rents Decline Year-Over-Year

Average asking rents ended the first quarter of 2026 at $9.39/SF, reflecting a 0.1% decline year-over-year but a 1.0% increase quarter-over-quarter. Rents have stayed relatively flat since seeing historic growth from 2021 to 2023, when annual increases averaged 19.0%. Despite this deceleration, asking rents remain 72.9% higher than 2020 levels, underscoring the market's long-term pricing strength even as supply pressures and leasing normalization temper near-term momentum.

Industrial Average Asking Rent, $/SF, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research

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Market Statistics

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