

Hampton Roads Industrial Market Overview

Market Observations

Economy

- Hampton Roads' unemployment rate continues to outperform the national average, measuring 3.7% in May 2025. This is an expansion of 70 bps year-over-year but remains 50 basis points below the national average.
- 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.
- The number of industrial jobs has declined to begin 2025, with employment 1.8% lower than at the end of 2024. Industrial sectors ended May 2025 with 186,300 employees, 0.7% below the decade average but an increase of 7.8% since the market reached a historical low in May of 2020.

Major Transactions

- The largest transaction of the quarter included properties involved a recapitalization in which JP Morgan REIT purchased a 95% interest in a 547,678 SF industrial portfolio from B&D Holdings, which retained interest in the portfolio. A majority of properties were located in the Hampton Roads market, accounting for \$55.3 million of the overall sale price.
- Four of the top five deals were located on the Southside, highlighting the recent activity in that area of the region. Trans-National Express, a logistics and freight management firm specializing in cross-border services with Mexico, signed the largest deal of the quarter, leasing 358,738 SF of space at 700 Carolina Road in Suffolk.

Leasing Market Fundamentals

- The market continues to experience positive absorption, seeing 240,000 SF of positive net absorption during Q2 2025. The continued positive absorption has created a tight market, with a vacancy rate of only 6.4% to end the quarter.
- Average asking rents ended Q2 2025 at \$10.12 PSF, an increase of 2.4% year-over-year. Overall, the market has seen an impressive 39.0% increase in rents from the beginning of 2020.
- The market's development remains robust with over 4.6 MSF of deliveries since the beginning of 2024. During the second quarter of 2025, the market saw 1.2 MSF of deliveries, ending the quarter with 10 properties under construction totaling almost 3.0 MSF, in line with the ten-year average of 2.9 MSF under construction.

Outlook

- The Port of Virginia's exposure to tariffs will be limited relative to other major national ports due to its smaller reliance on Chinese business. In addition, expansion of the Port has allowed for significant growth over the last five years, a trend that is expected to continue. US Port Services signed a lease renewal for 120,000 SF near the Port during the second quarter of 2025.
- 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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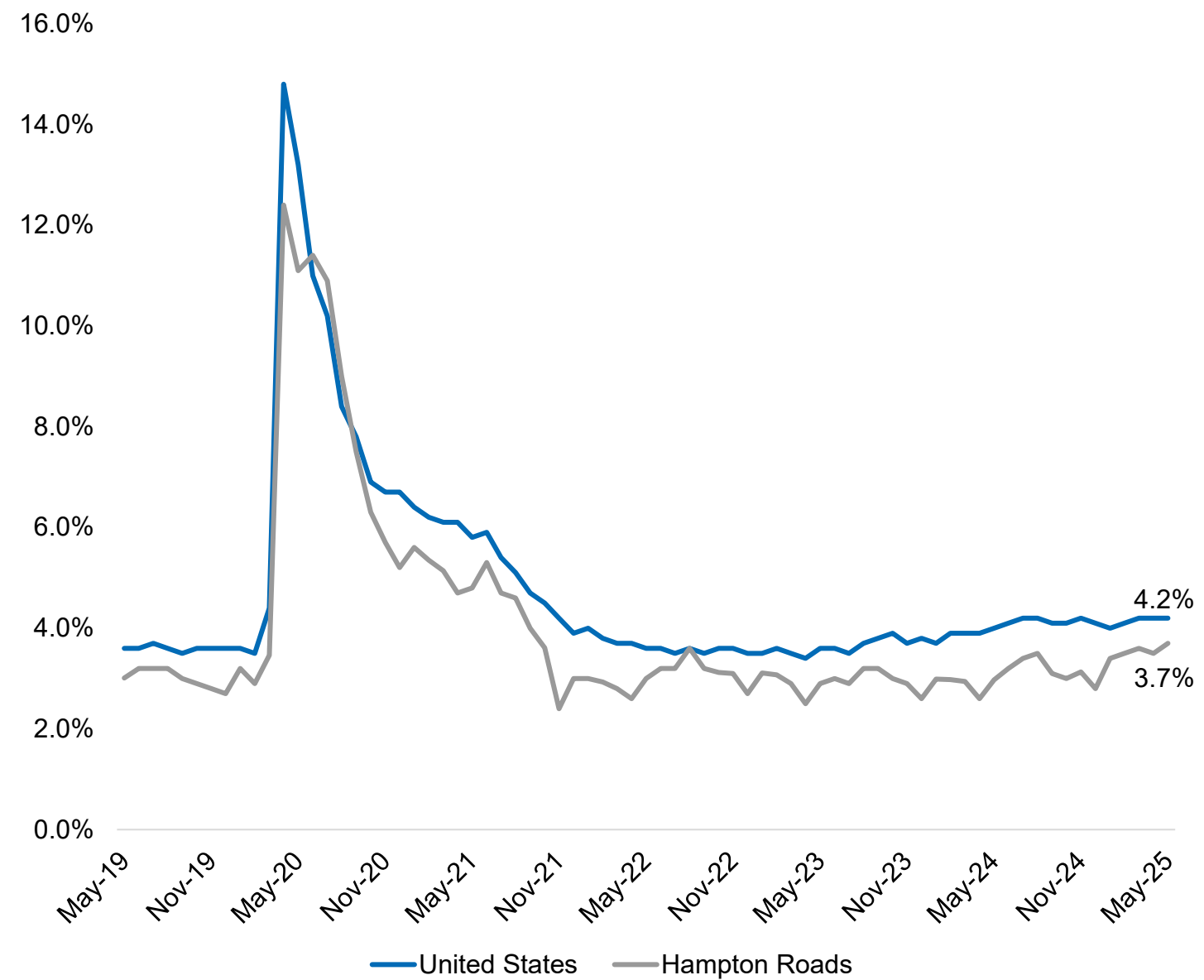
Economy



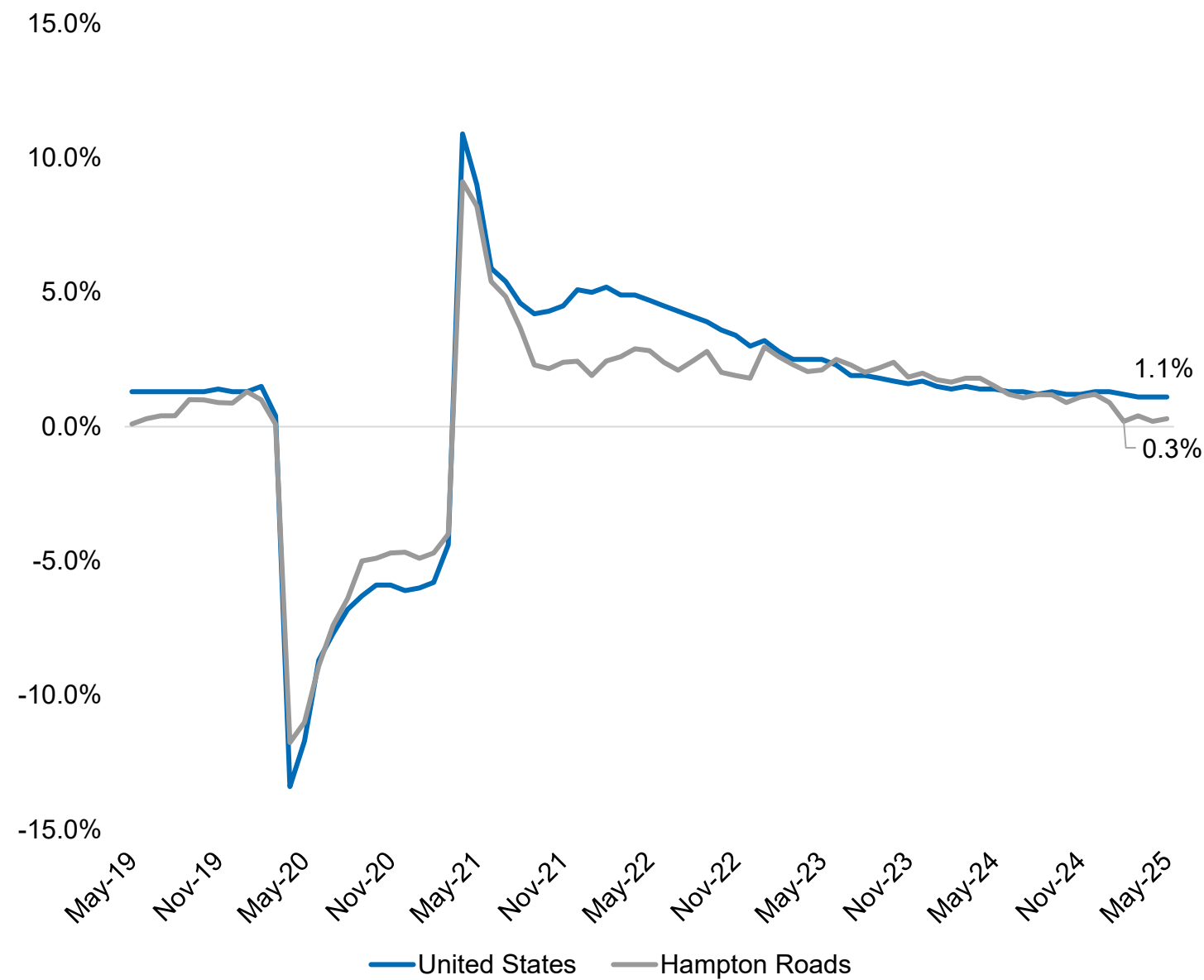
Hampton Roads' Unemployment Rate Outperforms National Average

The Hampton Roads unemployment rate continues to outperform the national average, measuring 3.7% in May 2025. This is an expansion of 70 bps year-over-year but remains 50 basis points below the national average.

Unemployment Rate, Non-Seasonally Adjusted



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

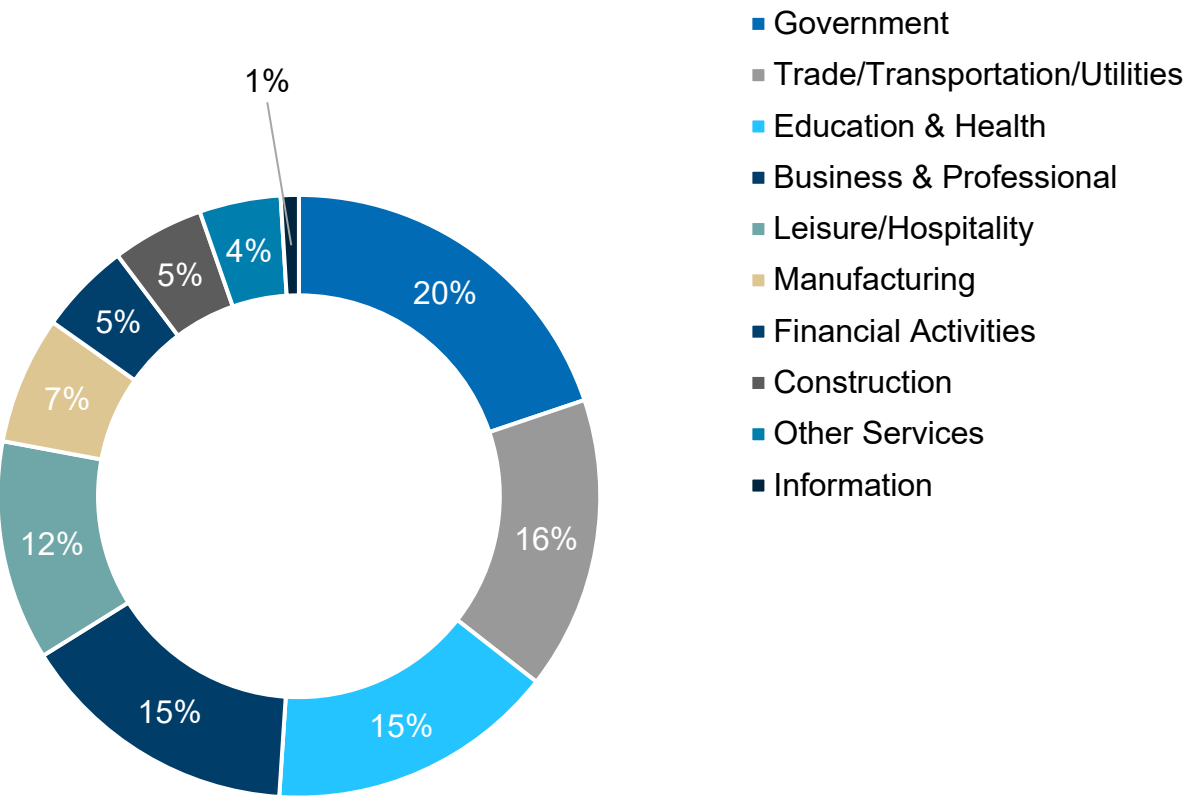


Source: U.S. Bureau of Labor Statistics, Hampton Roads

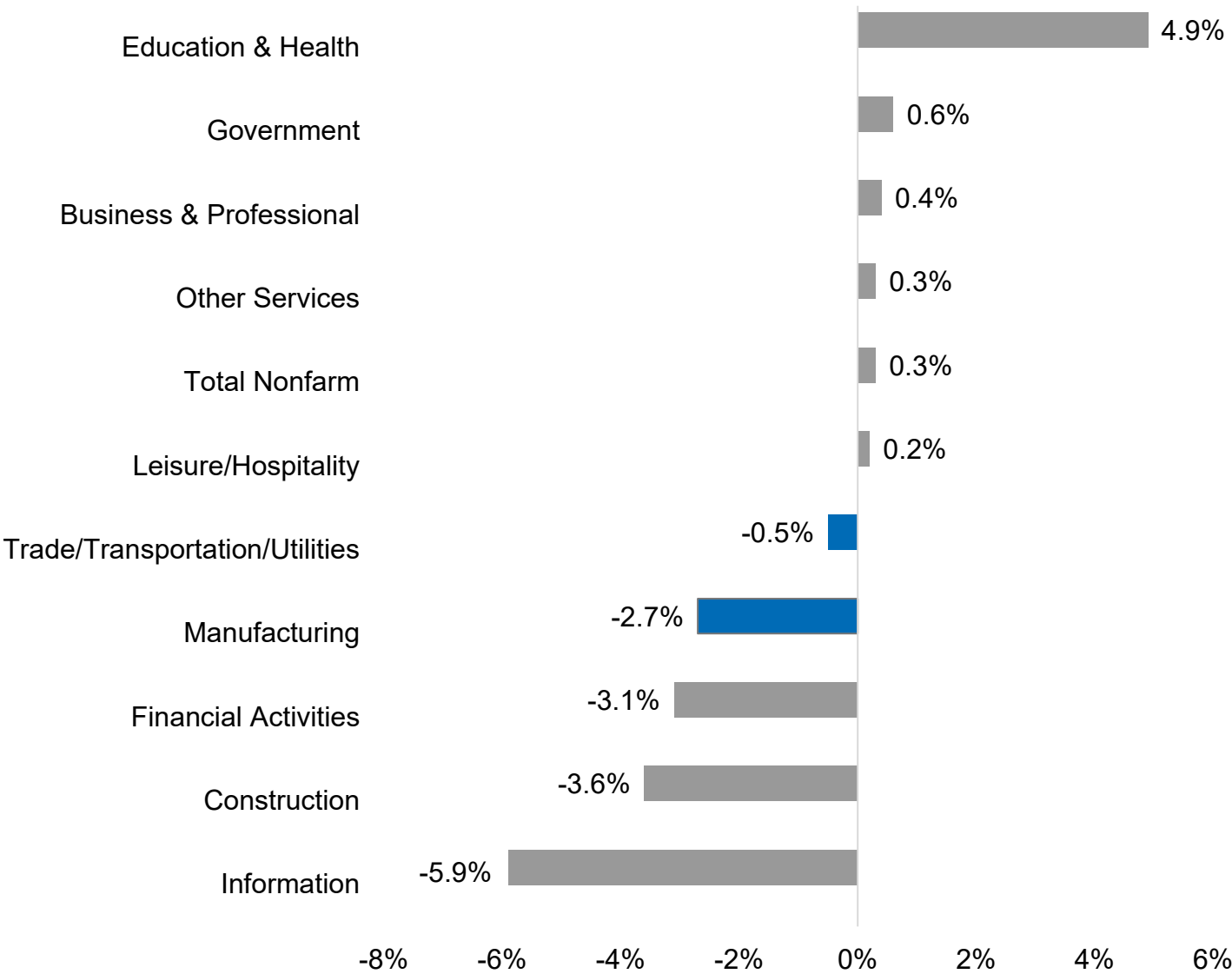
Trade/Transportation/Utilities is the Highest Private Employment Sector

Trade/Transportation/Utilities remains the second-largest industry in the region only behind the Government sector, making up 16% of the regional workforce. The manufacturing sector makes up a smaller portion of employment, at 7%. In total, the region’s total nonfarm employment grew by 0.3% over the last 12 months, though industrial sector employment has contracted, with the Trade/Transportation/Utilities and Manufacturing sectors experiencing negative growth over the period.

Employment by Industry, May 2025



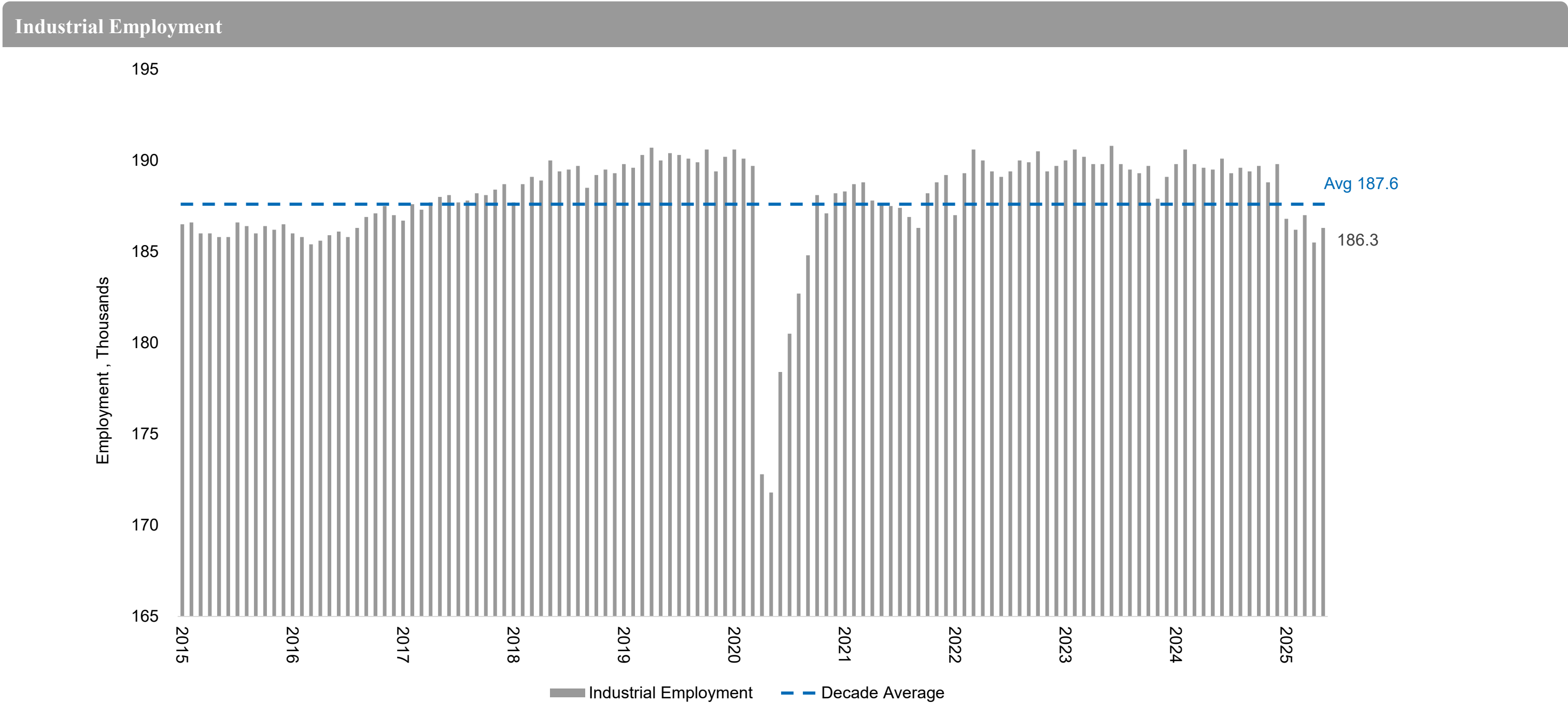
Employment Growth by Industry, 12-Month % Change, May 2025



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

Industrial Employment Declines

The number of industrial jobs has declined to begin 2025, with employment 1.8% lower than at the end of 2024 . Industrial sectors ended May 2025 with 186,300 employees, 0.7% below the ten-year average but an increase of 7.8% since the market reached a historical low in May of 2020.



Source: U.S. Bureau of Labor Statistics, Hampton Roads
*Industrial employment includes employment in the following industry sectors: Trade/Transportation/Utilities and Manufacturing.

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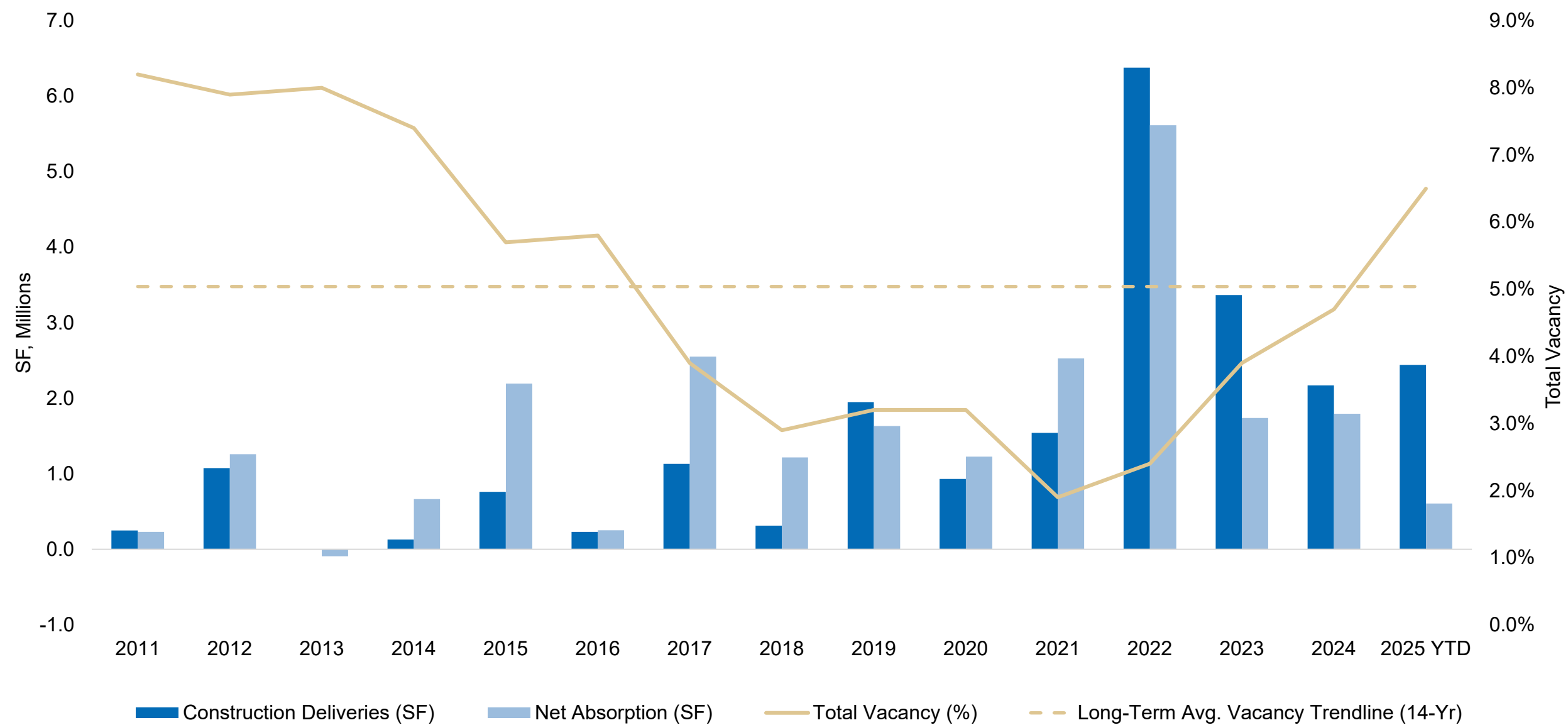
Leasing Market Fundamentals



Fundamentals Remain Healthy Through First Half of 2025

The Hampton Roads industrial market continues to perform well, as evidenced by its fundamentals. During Q2 2025, Hampton Roads had 1.2 MSF of deliveries while seeing 240,000 SF of positive net absorption. The market ended Q2 2025 with a vacancy rate of 6.4%, an increase of 80 bps quarter-over-quarter. This expansion in vacancy was largely 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



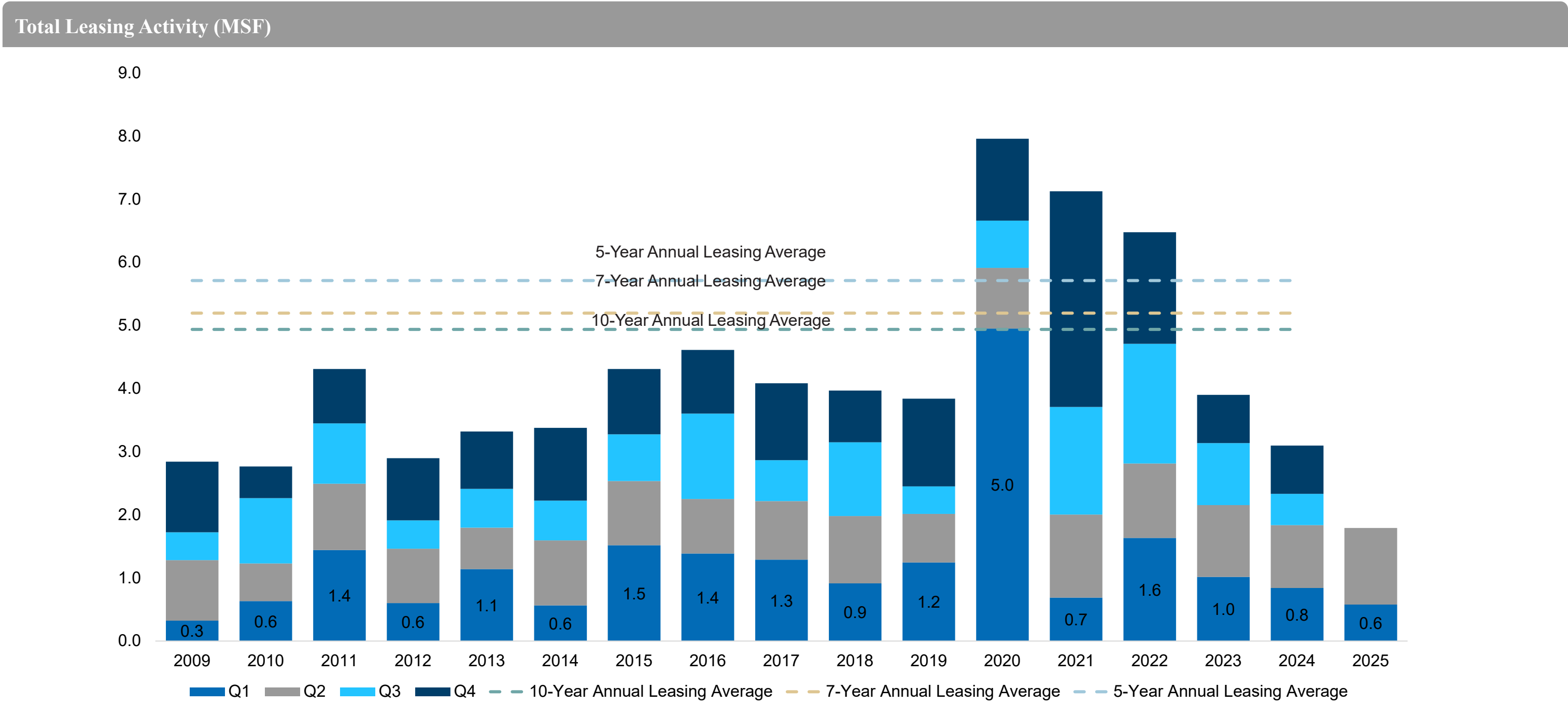
Source: Newmark Research



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Industrial Leasing Activity Slow to Begin 2025

After a slower than typical first quarter, leasing activity rebounded during Q2 2025, ending the quarter with 1.2 MSF of activity, the highest second-quarter leasing activity since 2022. The market's 1.8 MSF of leasing activity through the first half of 2025 is below 17-year average of 2.2 MSF, dating to 2009, and 2.4% lower than the same period last year.

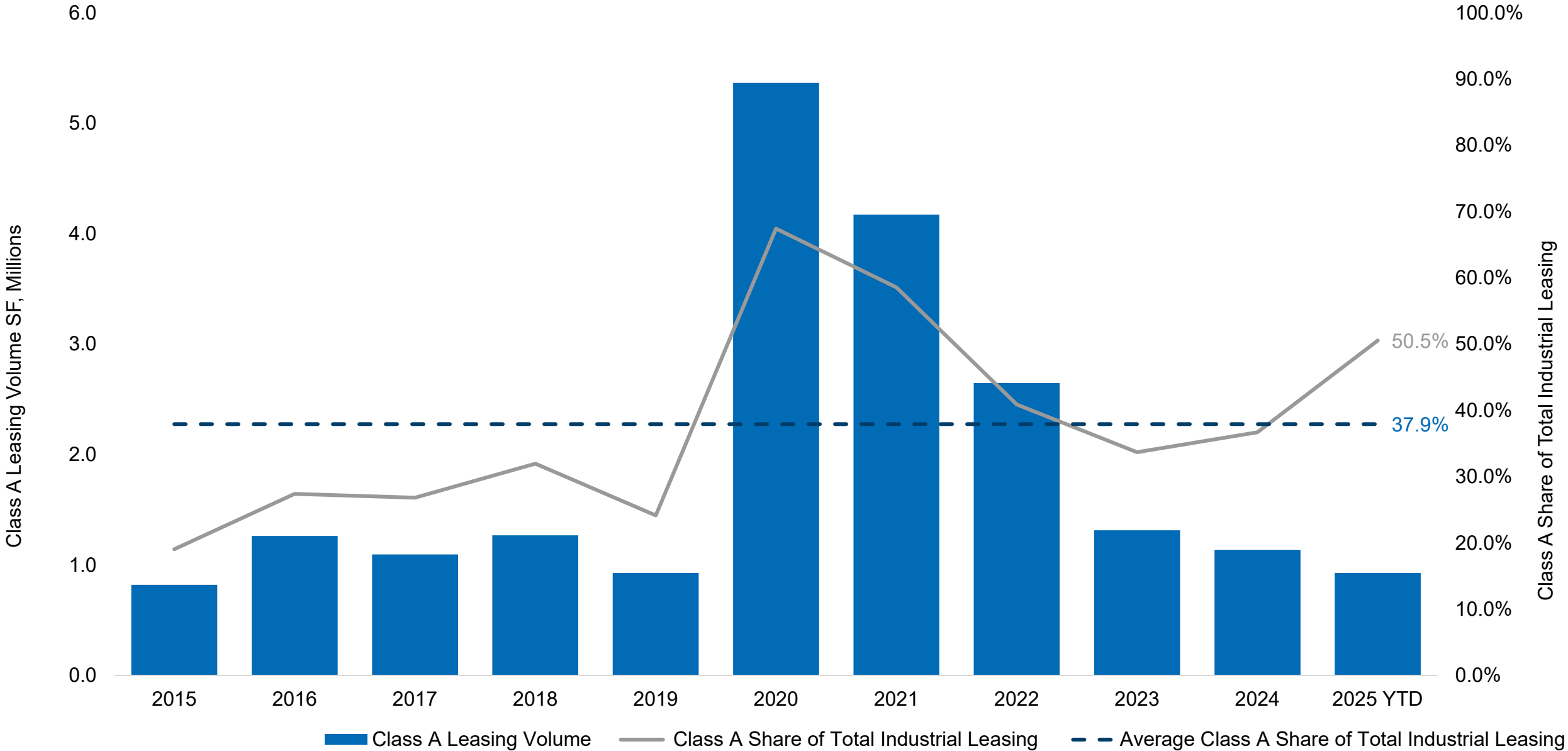


Source: Newmark Research

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 has seen a 50.5% share of total industrial leasing in the market through the first half of 2025, which is much higher than the ten-year average of 37.9%, underlining 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. Class A leasing volume has accelerated due to an increase in Class A deliveries, beginning in 2020. Amplified Class A leasing is likely to continue with a healthy construction pipeline poised to deliver new product in the short-to-medium term.

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

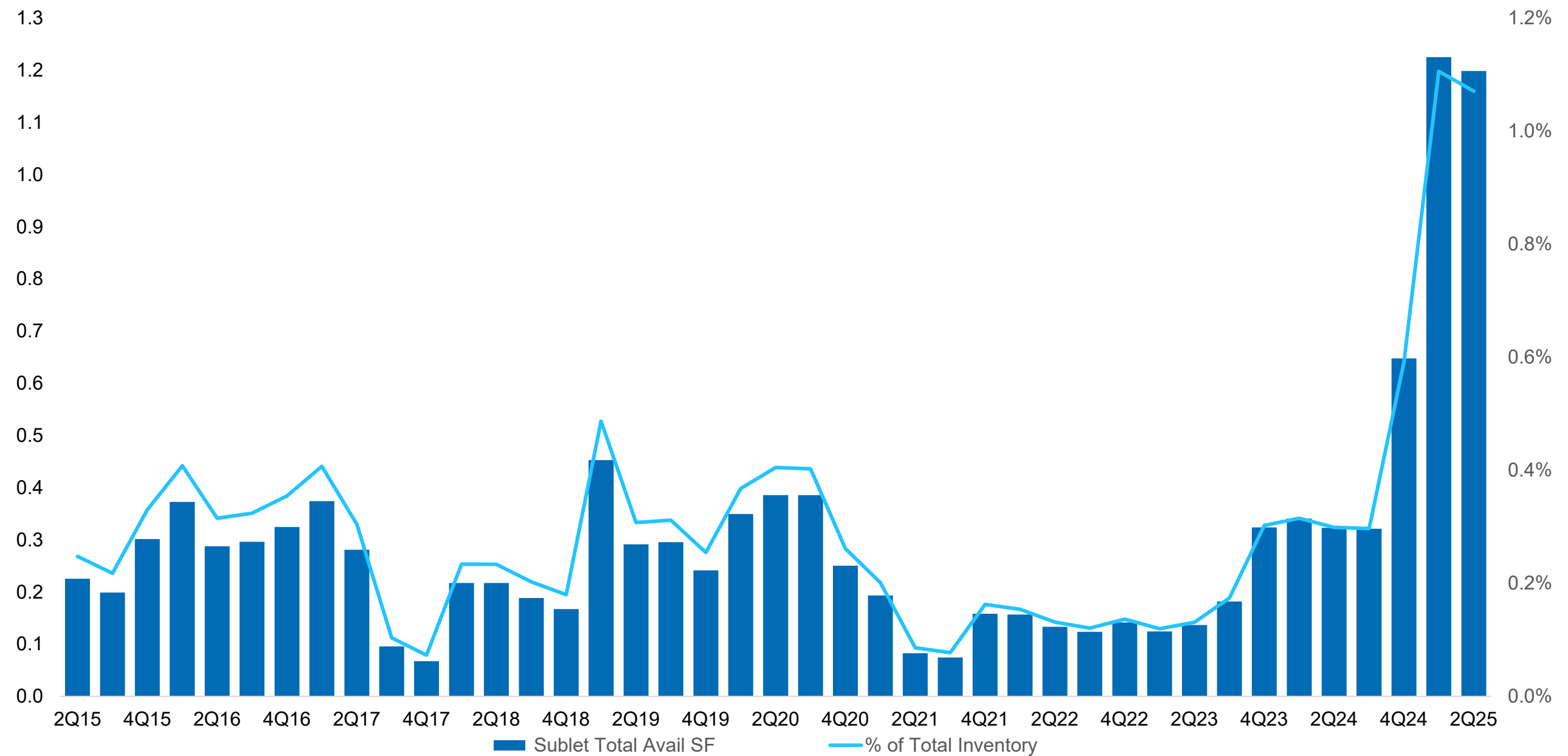


Source: Newmark Research

Industrial Sublease Availability Declines After Spike in Late 2024

Although the market has seen an increase in available sublease space over the past few quarters, supply declined during the second quarter. The market remains relatively tight, with roughly 1.2 MSF of available sublease space to end Q2 2025, accounting for 1.1% of the market's total inventory. There are a handful of properties in the market that represent the bulk of sublease availability as of the Q2 2025. These include 605,000 SF of vacant sublease space at 271 Benton Road and 227,500 SF of vacant space at 1996 Northgate Commerce Pkwy, both in Suffolk.

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

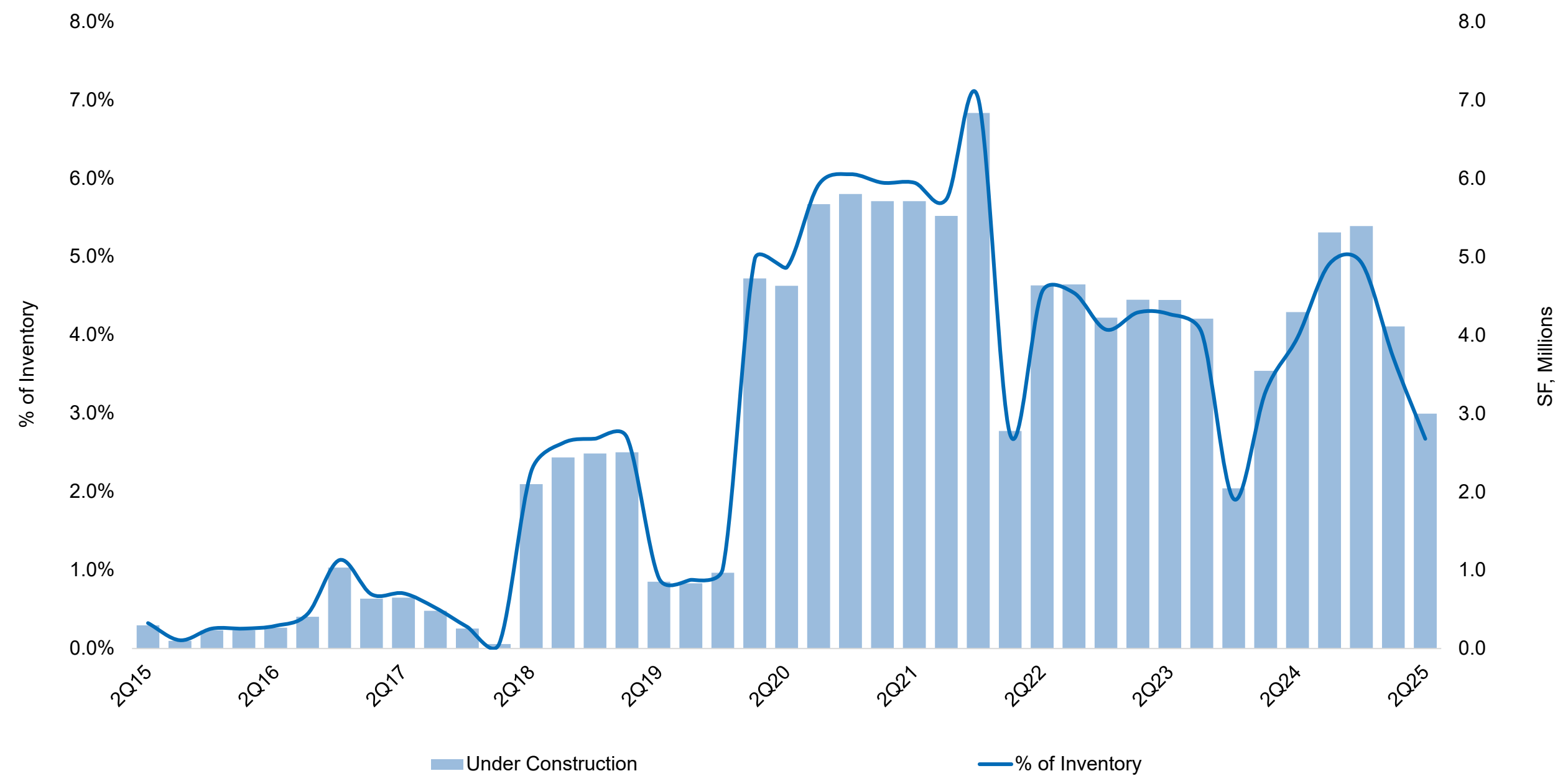


Source: Newmark Research

New Construction Supply Declines But Remains Above Historical Average

Industrial development has exploded in the Hampton Roads region during recent years, ending Q2 2025 with 10 properties under construction totaling over 3.0 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. As properties have delivered over the last three quarters, the construction pipeline has decreased, with fewer new projects starting over the first half of the year.

Industrial Under Construction and % of Inventory

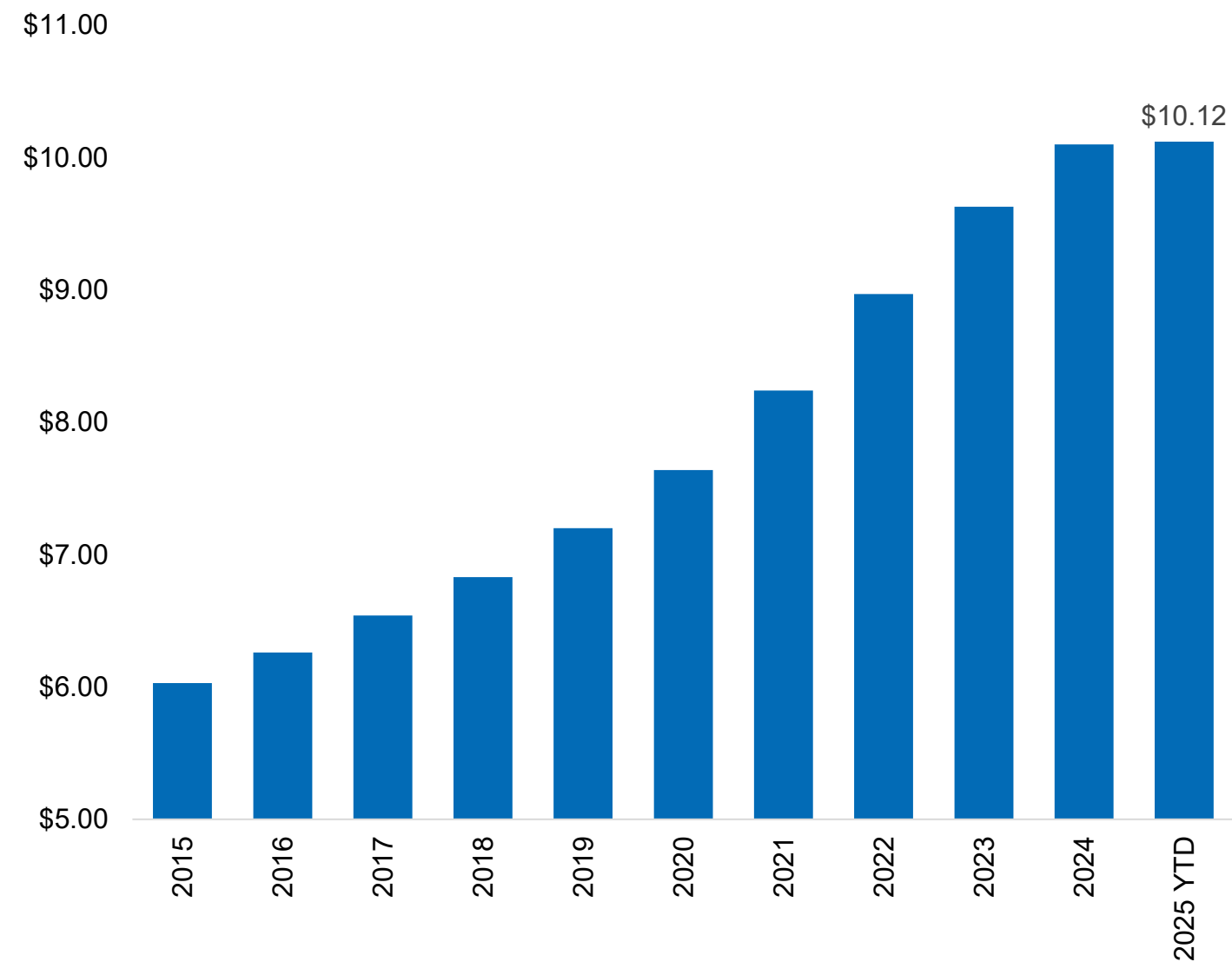


Source: Newmark Research

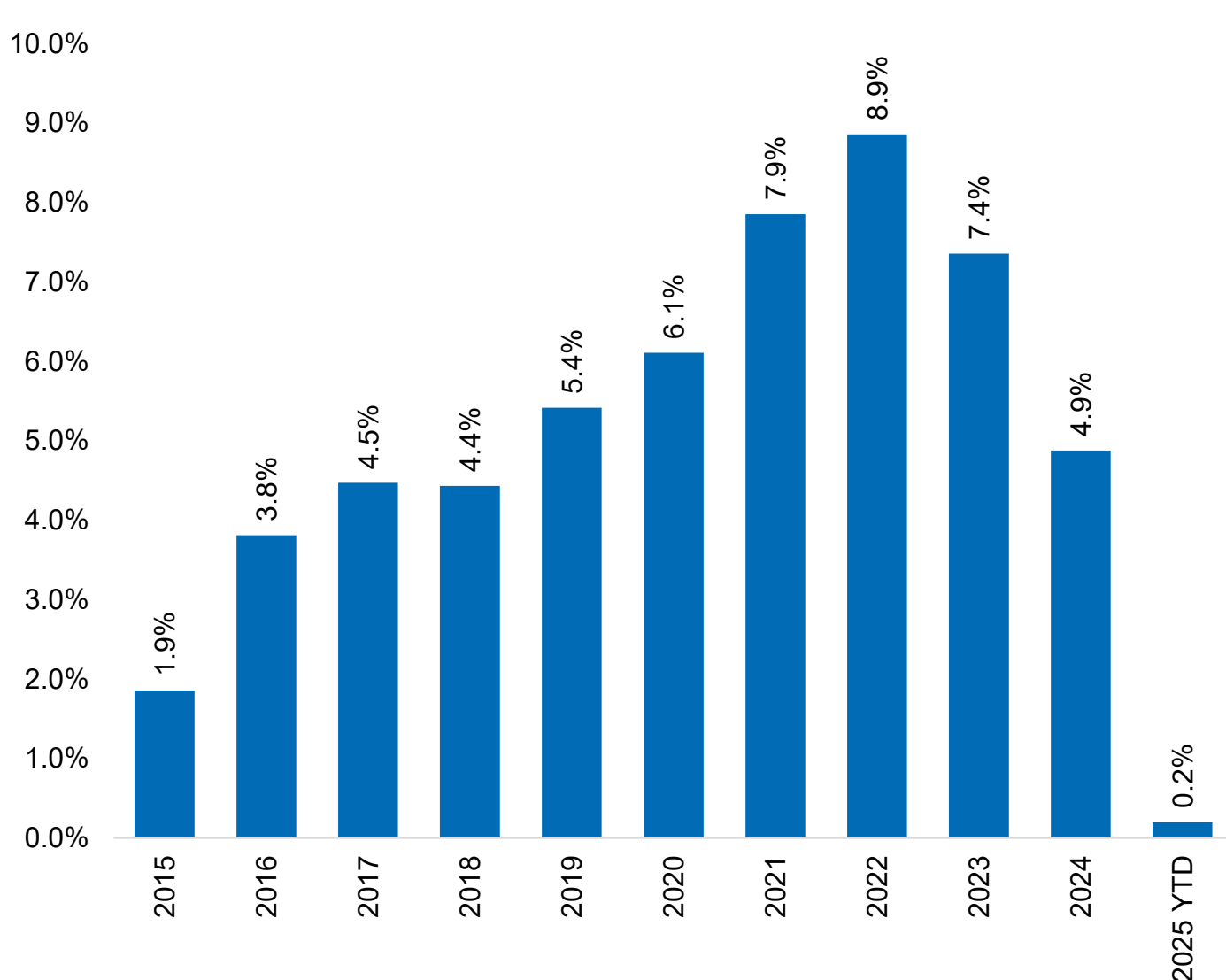
Asking Rents Flat To Through First Half of Year

Average asking rents ended Q2 2025 at \$10.12 PSF, an increase of 0.2% year-over-year. This is a stark deceleration in rent growth as the market averaged 8.0% annual rent growth from 2021-2023. Overall, the market has seen an impressive 39.0% 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



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Notable Lease Transactions

Four of the top five deals were located on the Southside, highlighting the recent activity in that area of the region. Trans-National Express, a logistics and freight management firm specializing in cross-border services with Mexico, signed the largest deal of the quarter, leasing 358,738 SF of space at 700 Carolina Road in Suffolk.

Select 2Q Lease Transactions				
Tenant	Building	Submarket	Type	Square Feet
Trans-National Express	700 Carolina Road	South Suffolk	Direct Lease	358,738
CEL Critical Power	1637 Green Mount Parkway	Williamsburg Extended	Direct Lease	149,040
US Port Services	3100-3150 Elmhurst Lane	Portsmouth	Lease Renewal	120,000
Land N’ Sea	3321 E Princess Anne Road	Norfolk Industrial Park	Direct Lease	115,680
Architectural Surfaces	600 Curtis Saunders Court	Cavalier	Direct Lease	100,440

Source: Newmark Research

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Market Statistics





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