3Q25

Hampton Roads Industrial Market Overview

NEWMARK

Market Observations

Economy

- The Hampton Roads unemployment rate continues to outperform the national average, measuring 4.0% in August 2025. This is an expansion of 50 bps year-over-year but remains 30 basis points below the national average.
- The industrial market is the region's primary economic driver. 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%.
- The number of industrial jobs has declined to begin 2025, with employment 4.6% lower than the end of 2024, as the negative effects of the tariff policies seem to be showing up in the industrial employment numbers. Industrial sectors ended August 2025 with 184,600 employees, 1.6% below the ten-year average but an increase of 8.0% since the market reached a historical low in April of 2020.

Major Transactions

- The largest transaction of the quarter included 1614 W Pembroke Avenue in the Copeland submarket. The Hampton, Virginia property is a 231,000-square-foot industrial warehouse fully-leased to two tenants: Huntington Ingalls Industries and Newport News Shipbuilding. The property was purchased by North Haven Net REIT for $35.8 million, or $155/SF.
- Each of the top five deals of 3Q 2025 were located on the Southside, highlighting the recent activity in that area of the region. Caligari Gerloff Painting, Inc., a commercial, industrial and maritime paint and coatings contractor headquartered in Norfolk and working in Virginia and North Carolina, signed the largest deal of the quarter, leasing 152,516 SF of space at 3700 Village Avenue in Norfolk.

Leasing Market Fundamentals

- The market experienced negative net absorption during Q3 2025, for the first time second quarter of 2024. Negative absorption of 59,400 SF led to an expansion in vacancy, which ended the quarter at 7.6%, an increase of 50 bps quarter-over-quarter.
- Average asking rents ended Q3 2025 at $10.22 PSF, an increase of 3.7% year-over-year. Overall, the market has seen an impressive 43.5% increase in rents from the beginning of 2020.
- The market's development remains robust with more than 5.9 MSF of deliveries since the beginning of 2024. During the third quarter of 2025, the market saw nearly 600,000 SF of deliveries, ending the quarter with 7 properties under construction totaling almost 3.1 MSF, in line with the ten-year average of 3.0 MSF under construction.

Outlook

- The Hampton Roads Bridge Tunnel is expected to have a positive impact on the region's industrial market upon its projected completion in 2027. Reduced congestion and additional capacity should lead to improved connectivity, potentially ushering in new business and economic activity, providing long-term benefits for the market.
- A healthy construction pipeline but slowing demand may lead to higher vacancy in the near term as new inventory is delivered over the coming quarters.
- 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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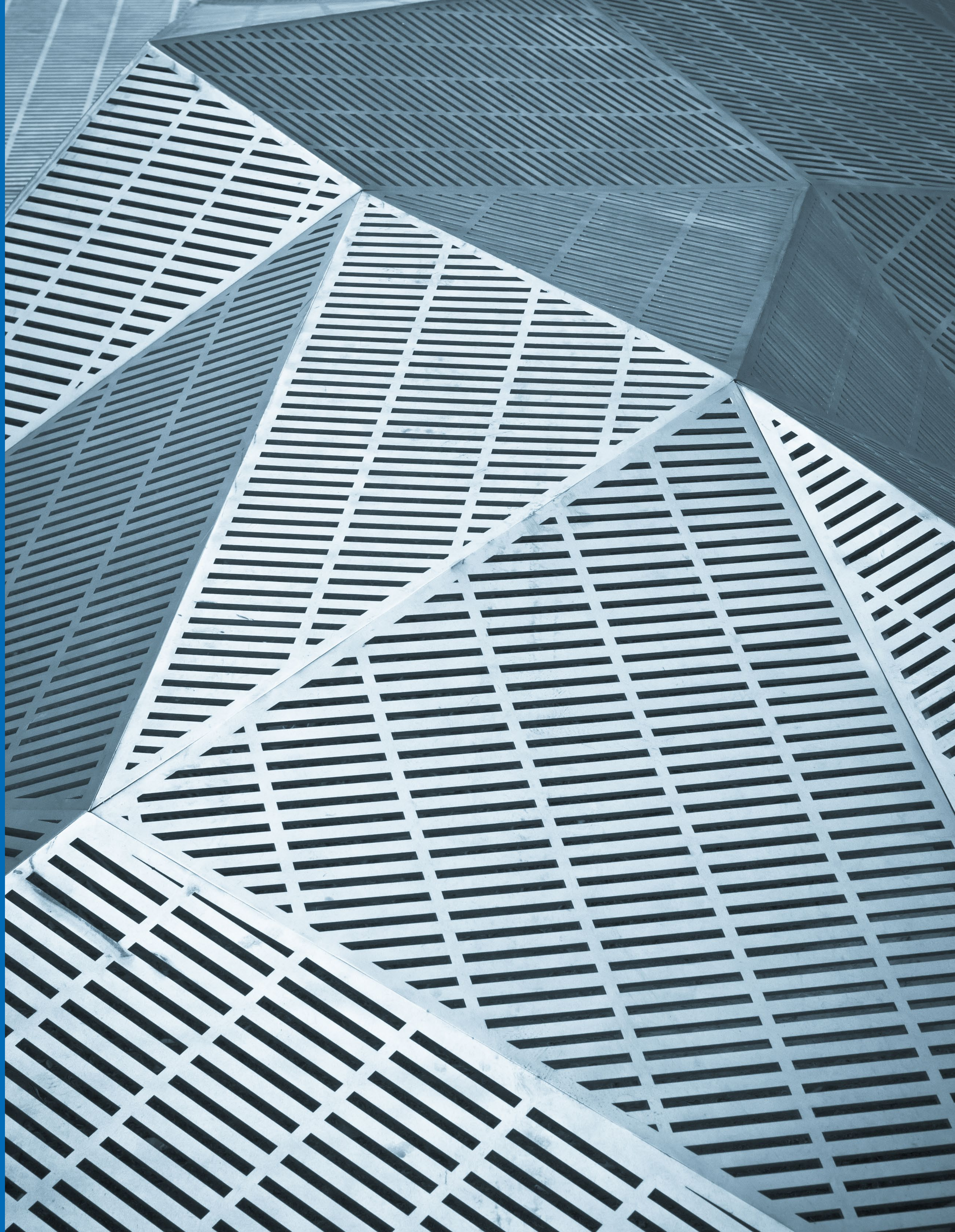

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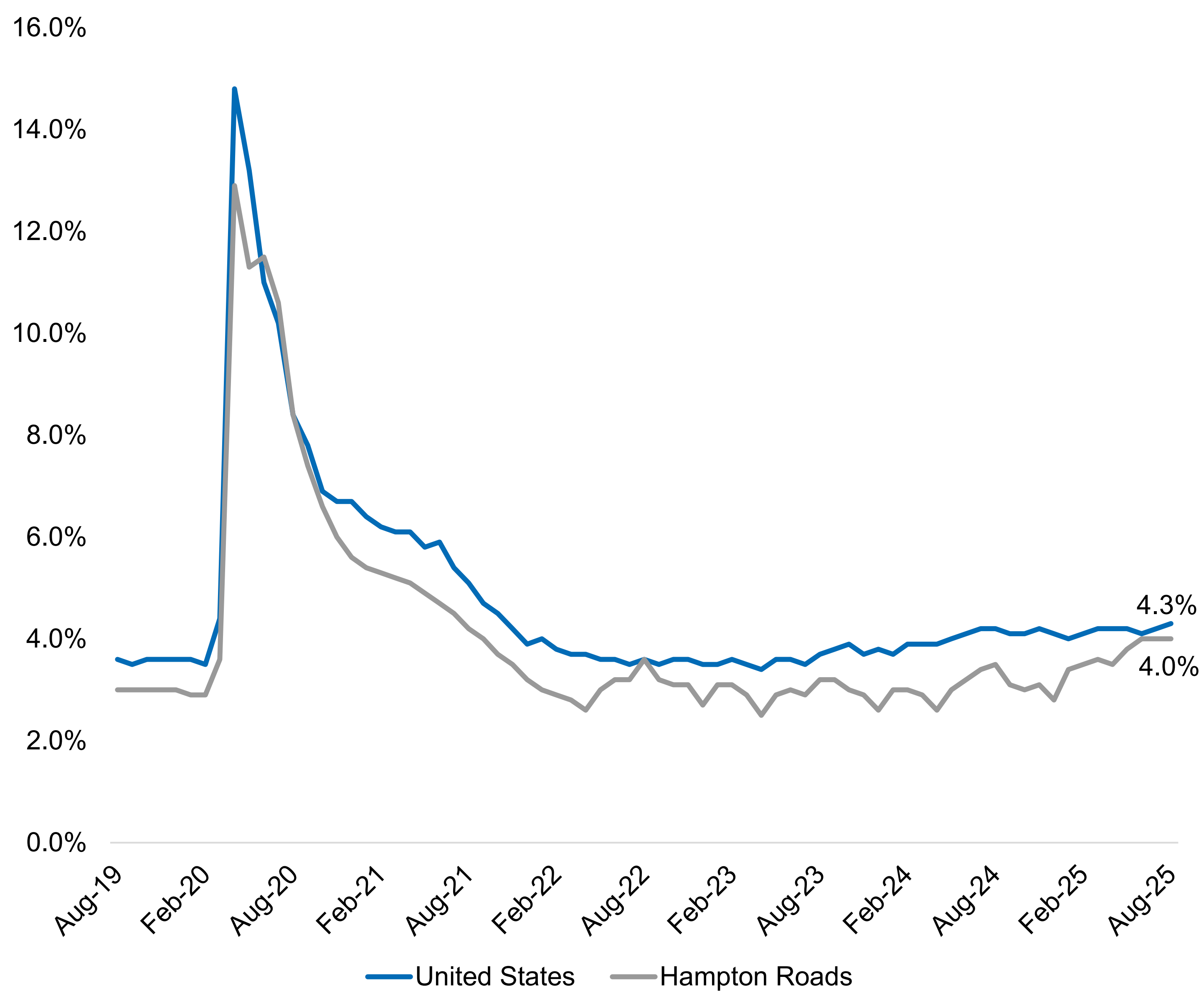
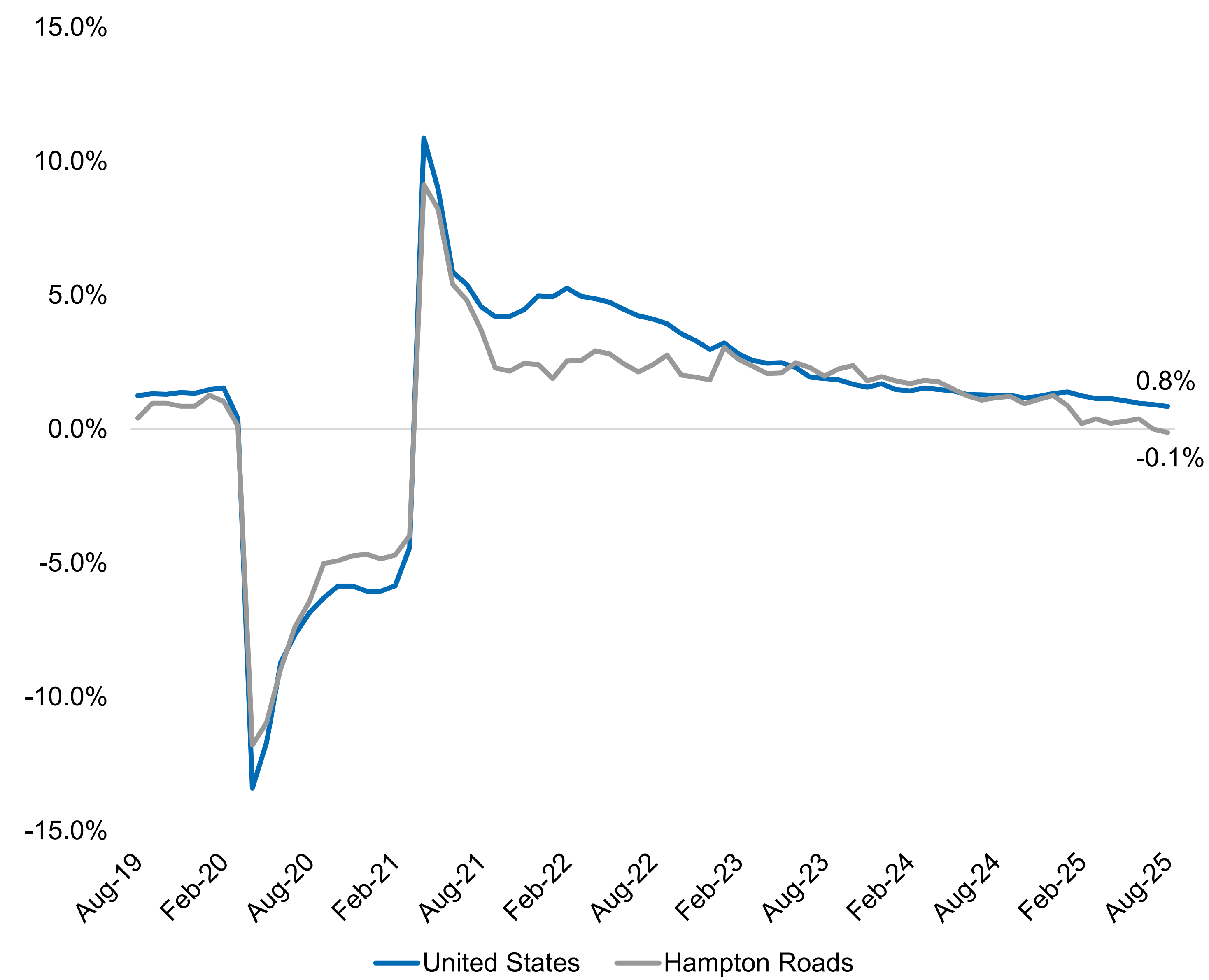
Hampton Roads' Unemployment Rate Outperforms National Average

The Hampton Roads unemployment rate continues to outperform the national average, measuring 4.0% in August 2025. This is an expansion of 50 bps year-over-year but remains 30 basis points below the national average.

Unemployment Rate, Non-Seasonally Adjusted



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

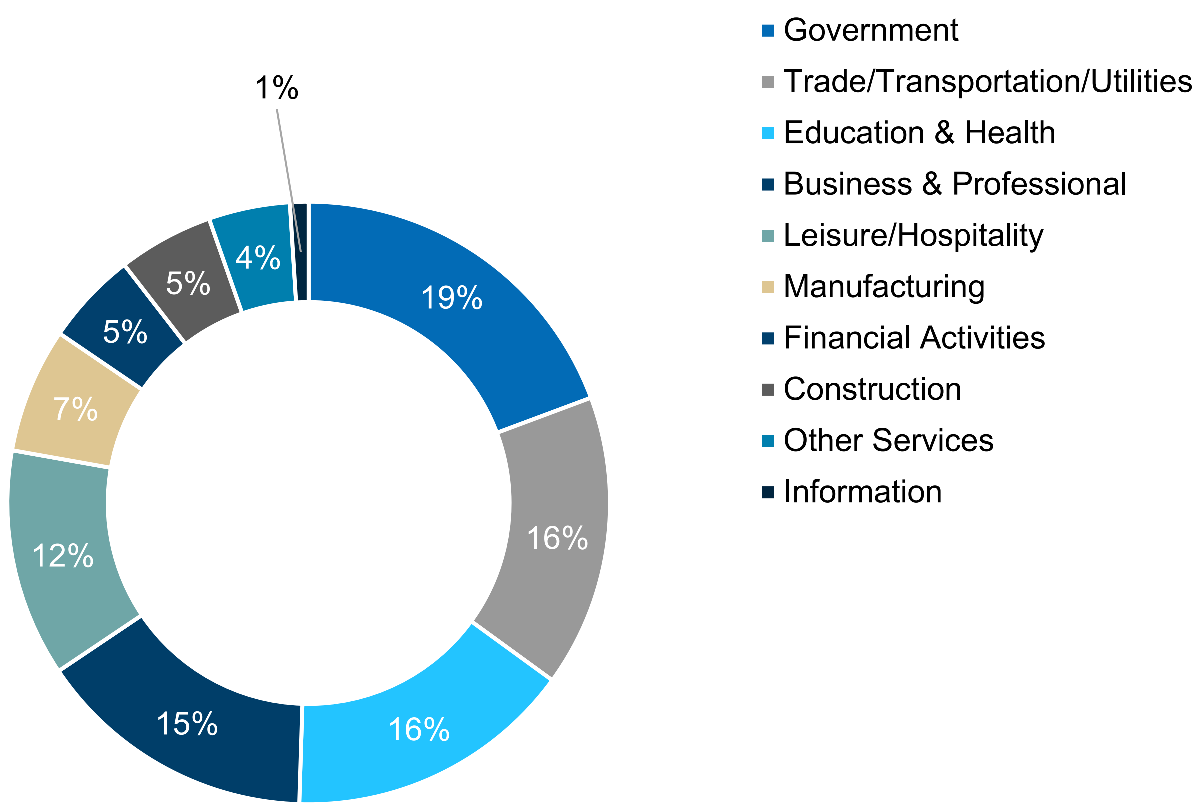


Source: U.S. Bureau of Labor Statistics, Hampton Roads

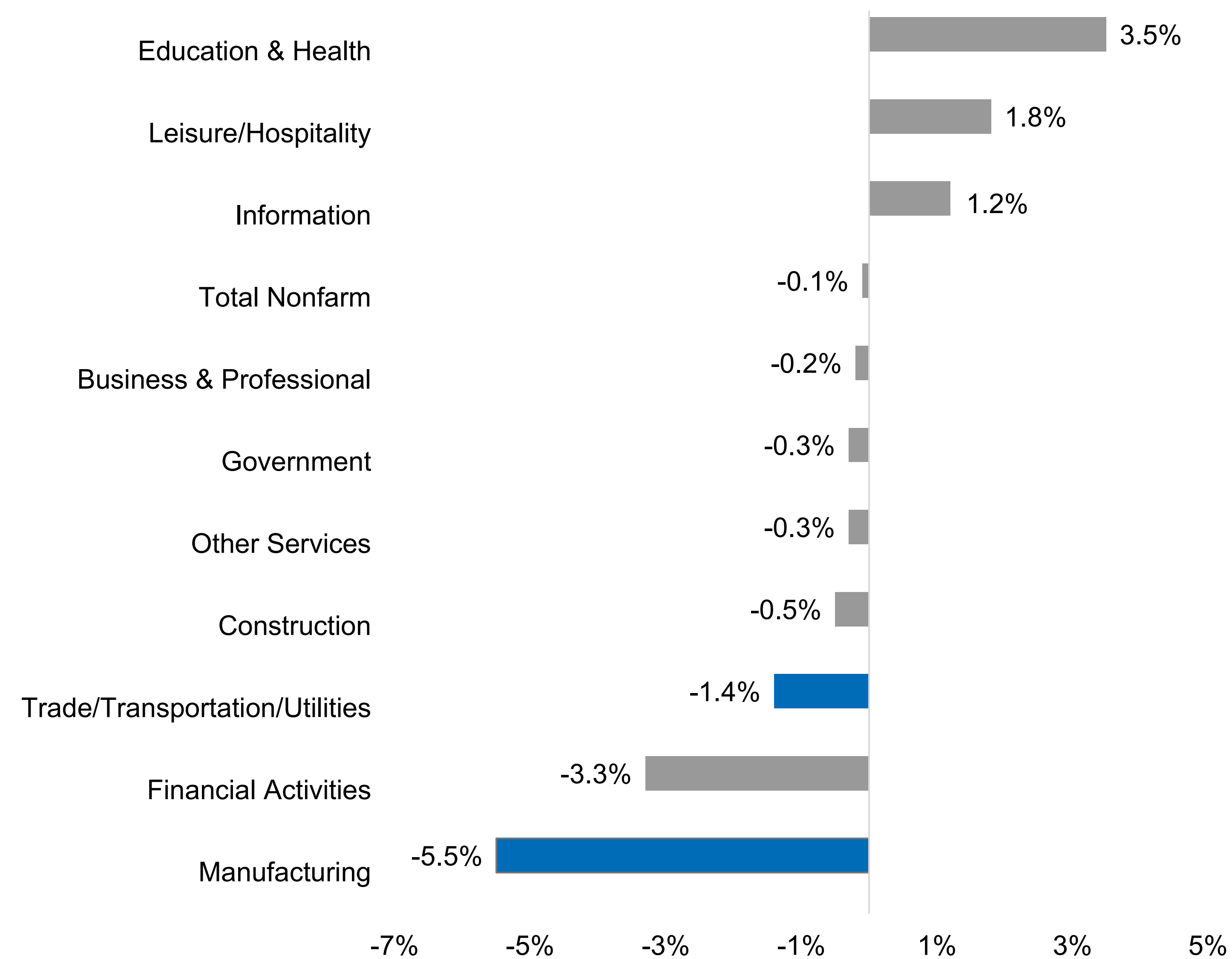
Trade/Transportation/Utilities is the Highest Private Employment Sector

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 decreased by 0.1% over the last 12 months, including a contraction in the industrial sector, with the Trade/Transportation/Utilities and Manufacturing sectors both experiencing a decline over the period.

Employment by Industry, August 2025



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

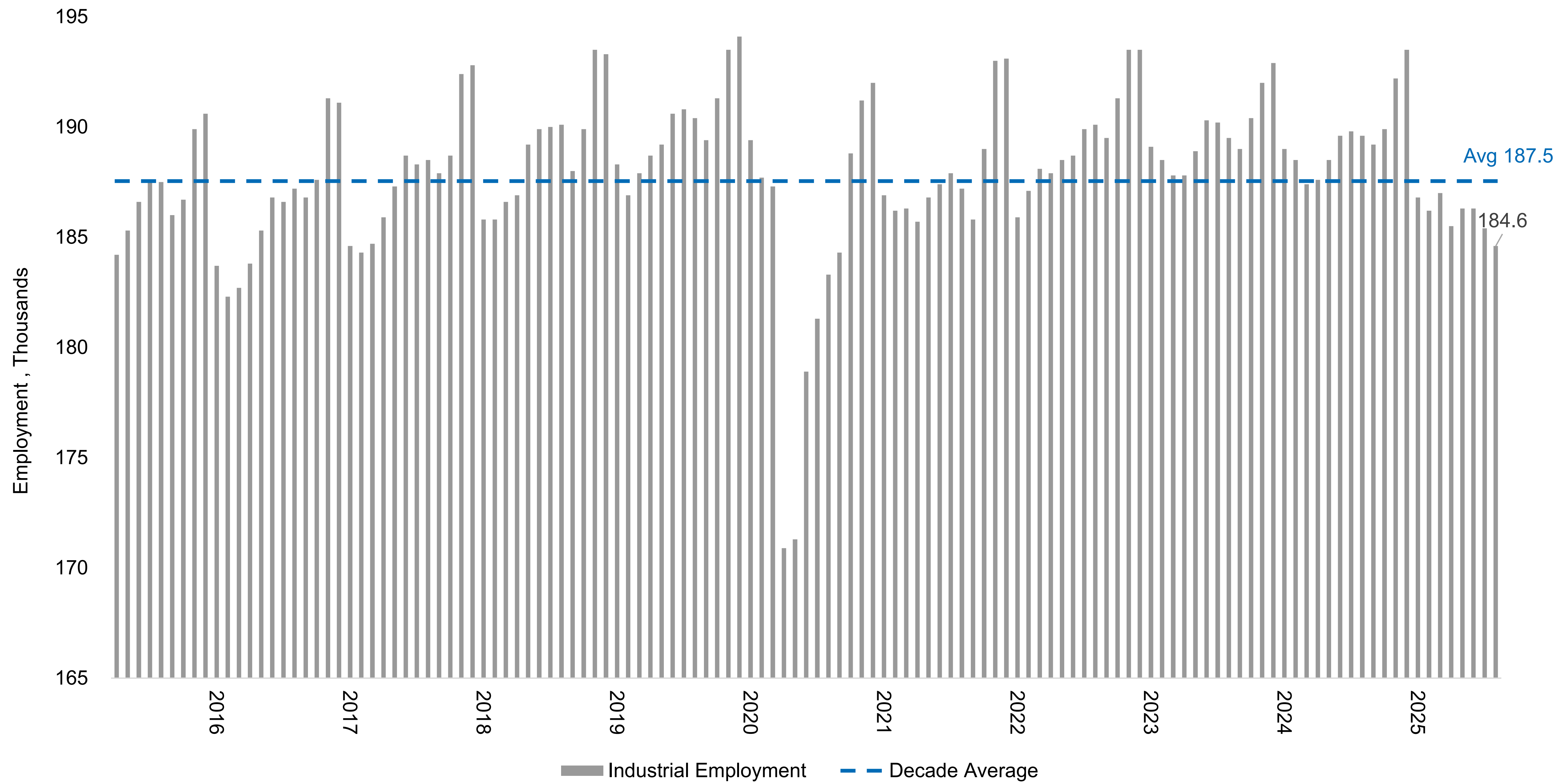


Source: U.S. Bureau of Labor Statistics, Hampton Roads

Industrial Employment Declines

The number of industrial jobs has declined to begin 2025, with employment 4.6% lower than the end of 2024, as the negative effects of the tariff policies seem to be showing up in the industrial employment numbers. Industrial sectors ended August 2025 with 184,600 employees, 1.6% below the ten-year average but an increase of 8.0% since the market reached a historical low in April of 2020.

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.

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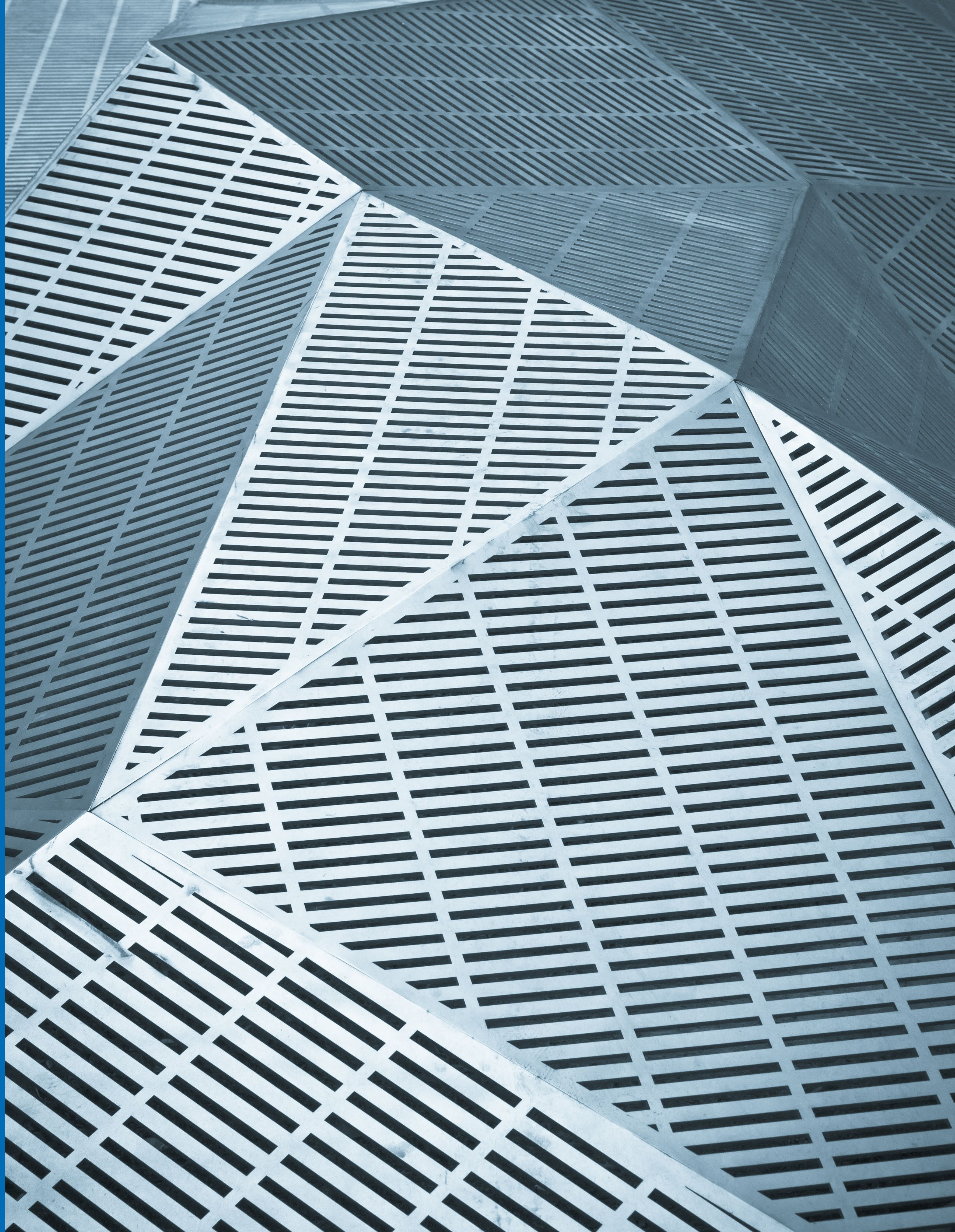
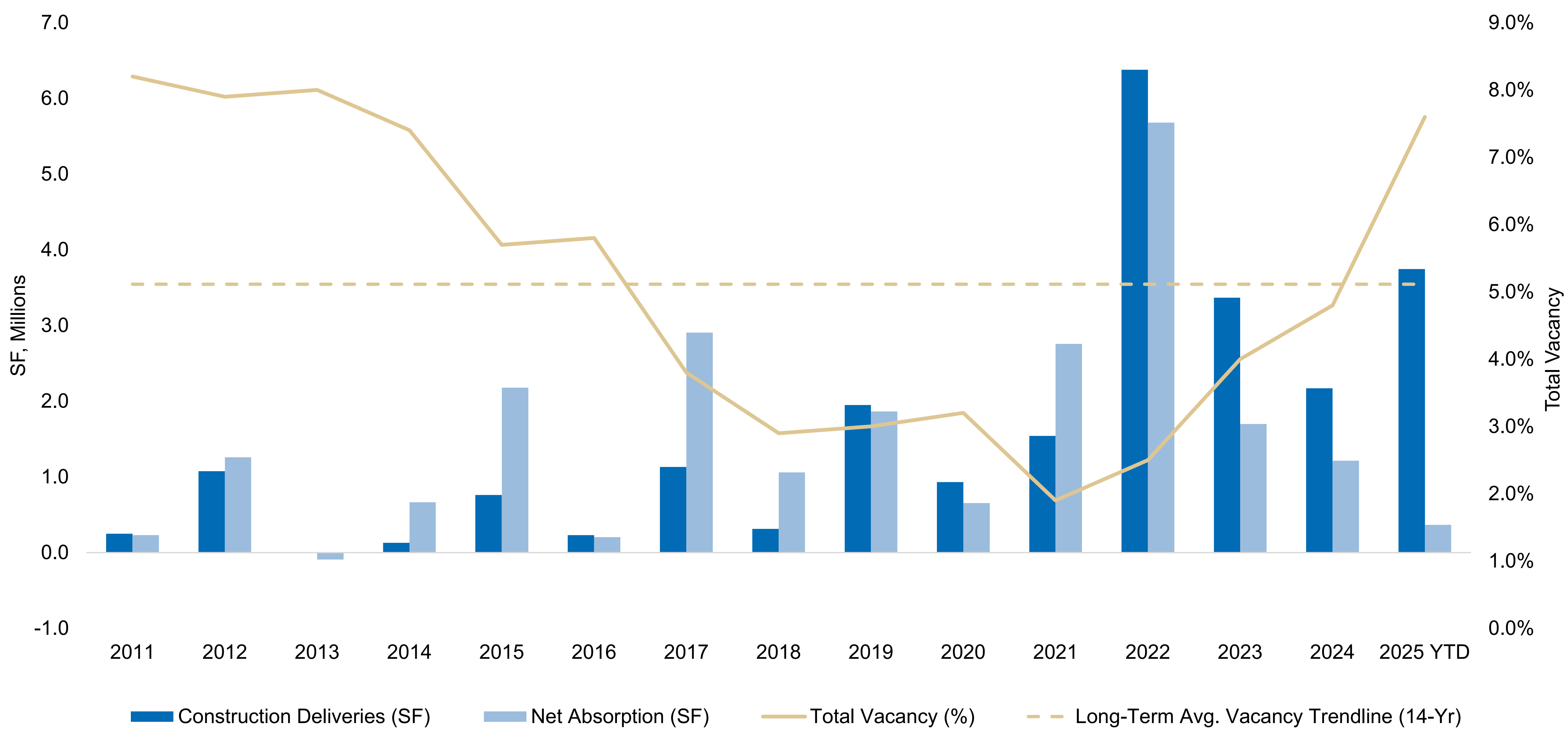
Leasing Market Fundamentals



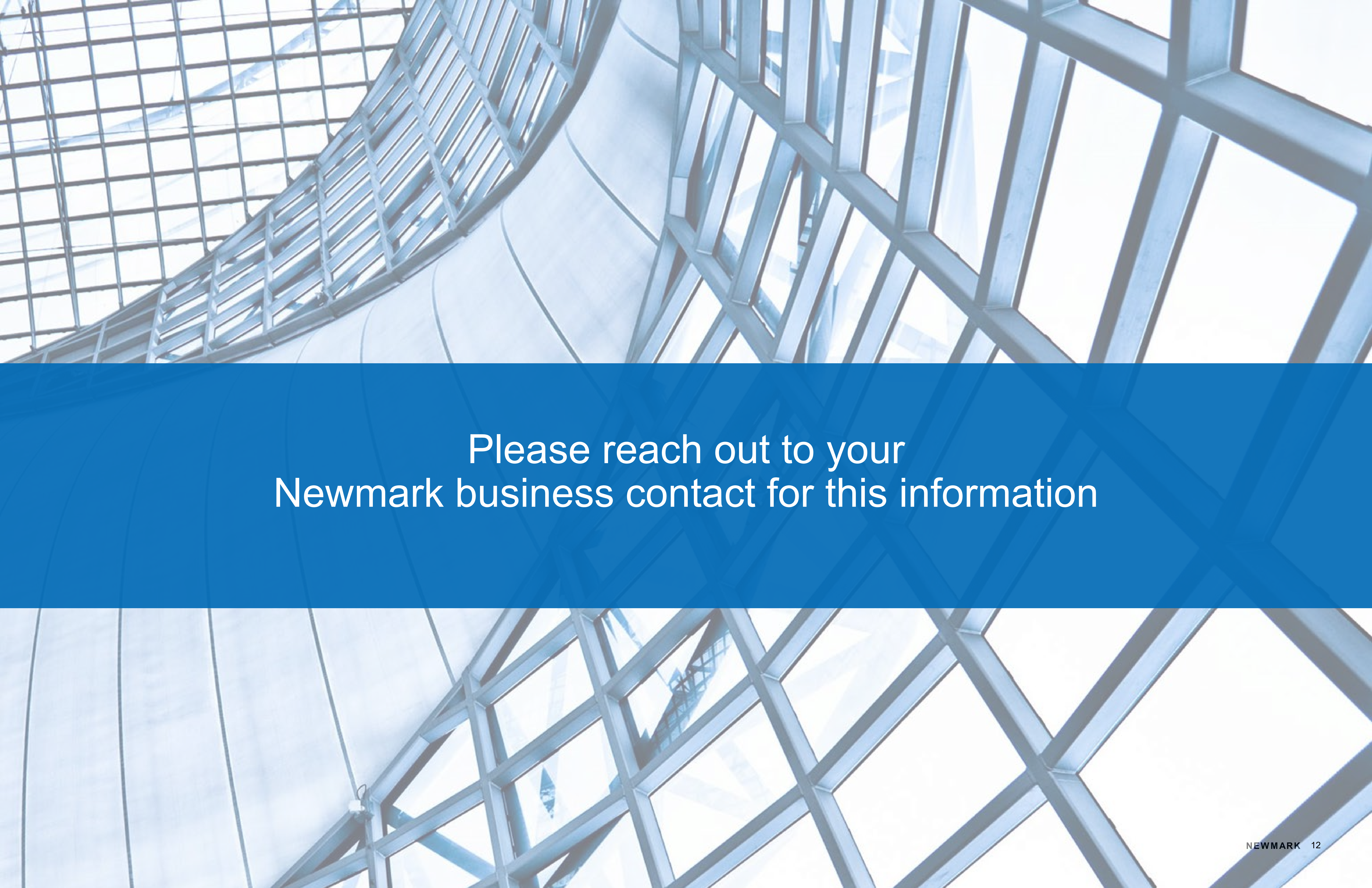
Hampton Roads Industrial Market YTD Absorption Positive, Despite Q3 Slowdown

The Hampton Roads industrial market experienced an uneven quarter, as evidenced by its fundamentals. During Q3 2025, Hampton Roads had approximately 600,000 SF of new deliveries while seeing approximately 60,000 SF of negative net absorption. Despite negative quarterly absorption, year-to-date figures remain positive. The market ended Q3 2025 with a vacancy rate of 7.6%, an increase of 50 bps quarter-over-quarter and 360 bps year-over-year, largely due to deliveries outpacing absorption. With a number of projects remaining in the construction pipeline, demand in the market will need to increase to keep pace with new deliveries.

Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research



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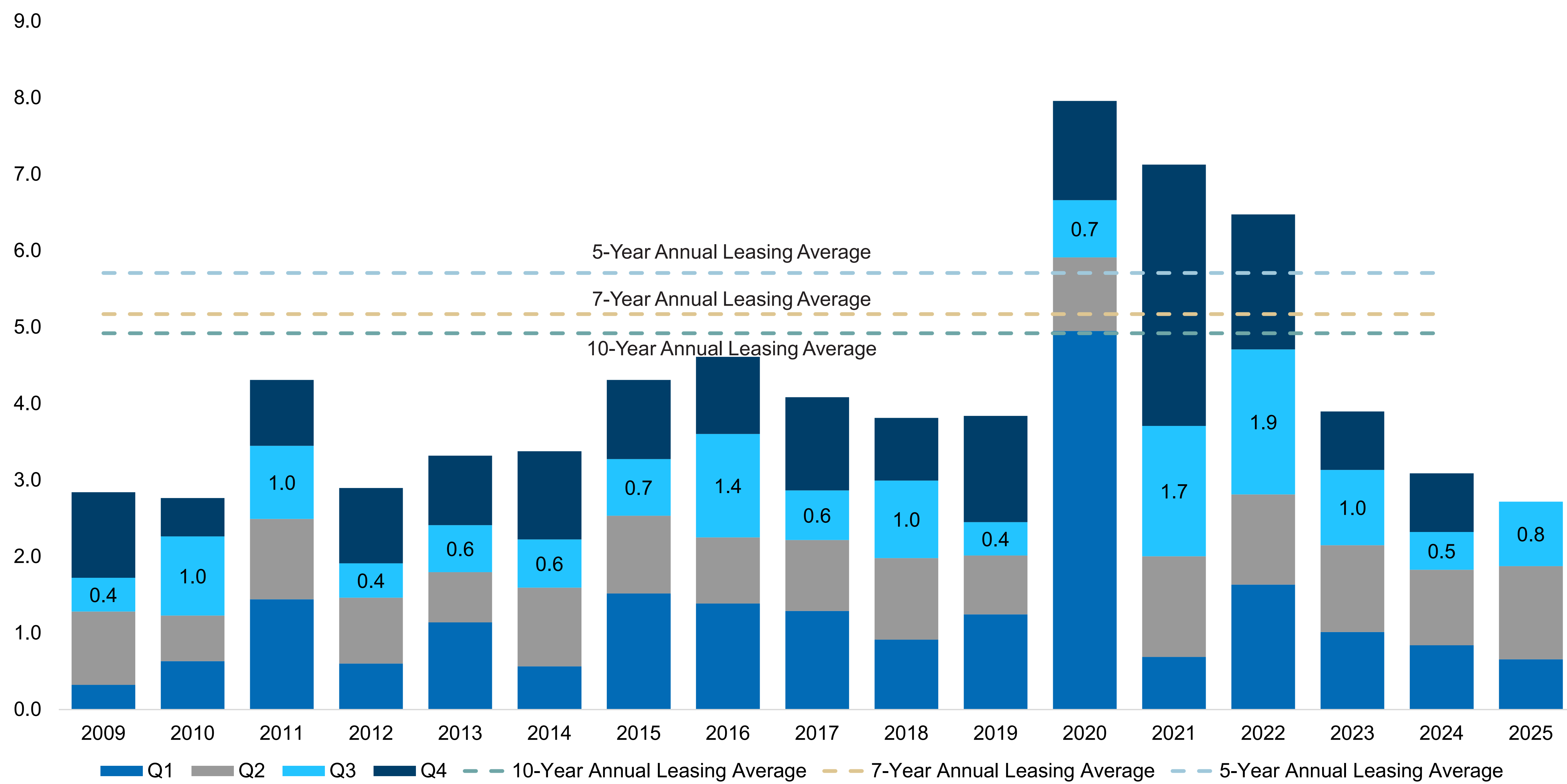
Industrial Leasing Activity On Pace to Surpass 2024

Hampton Roads industrial leasing activity reached nearly 850,000 square feet during the third quarter of 2025. Year-to-date, the market has registered 2.7 million square feet in leasing activity, ahead of the first three quarters of 2024, when activity reached 2.3 million square feet, but behind the pace of the first three quarters of 2023, when the market saw 3.1 million square feet of activity. Annual leasing is on pace to fall below each of the 5-,7- and 10-year leasing averages.

Total Leasing Activity (MSF)

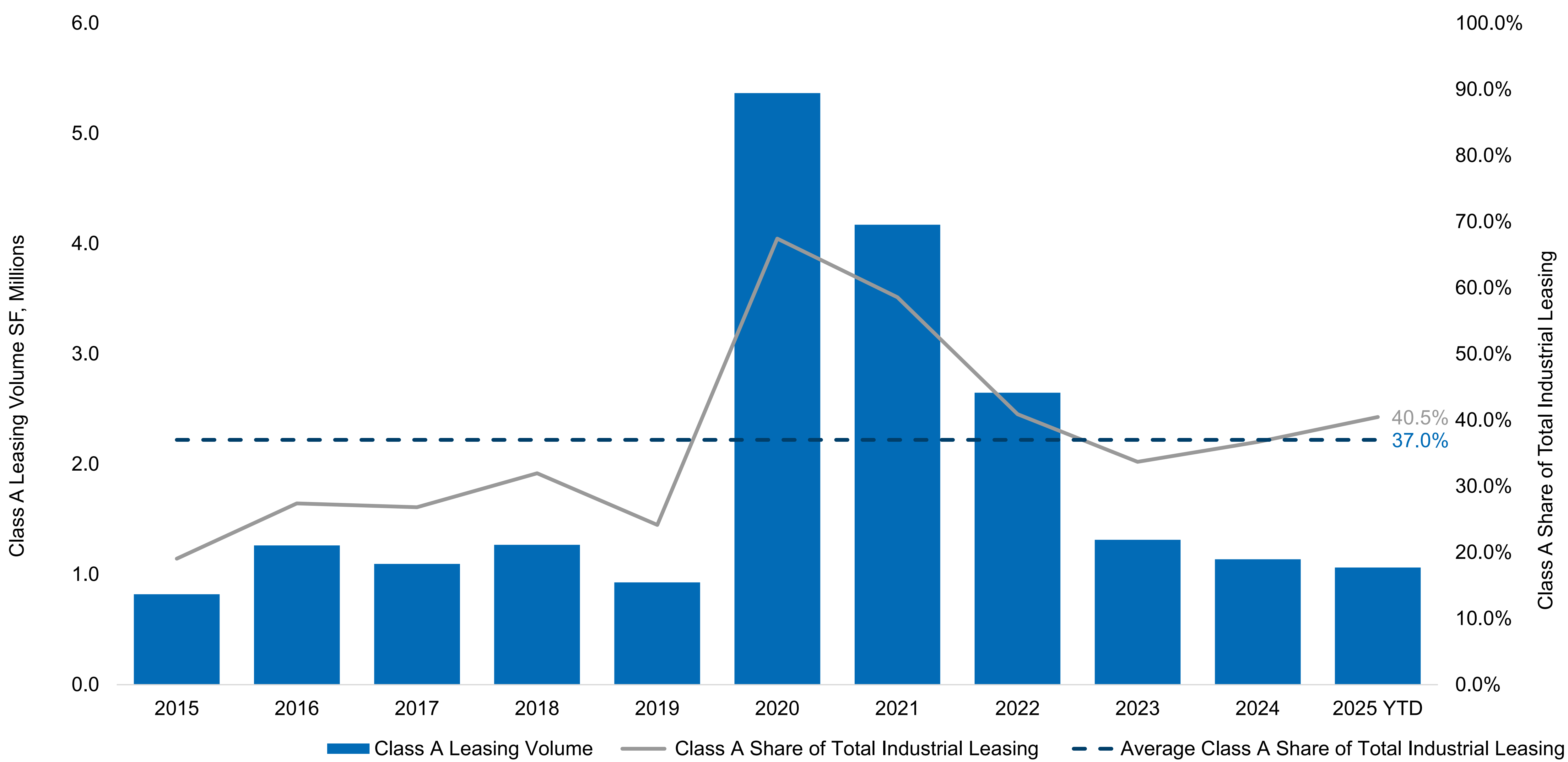


Source: Newmark Research

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 40.5% share of total industrial leasing in the market through the first three quarters of 2025, slightly higher than the ten-year average of 37.0%, pointing to steady interest in Class A space by occupiers. Although Class A leasing has moderated since its peak, the market remains ahead of the pace seen between 2015 and 2019, when Class A leasing volume averaged 1,075,606 square feet annually. Class A leasing volume has accelerated due to an increase in Class A deliveries over the last five years.

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

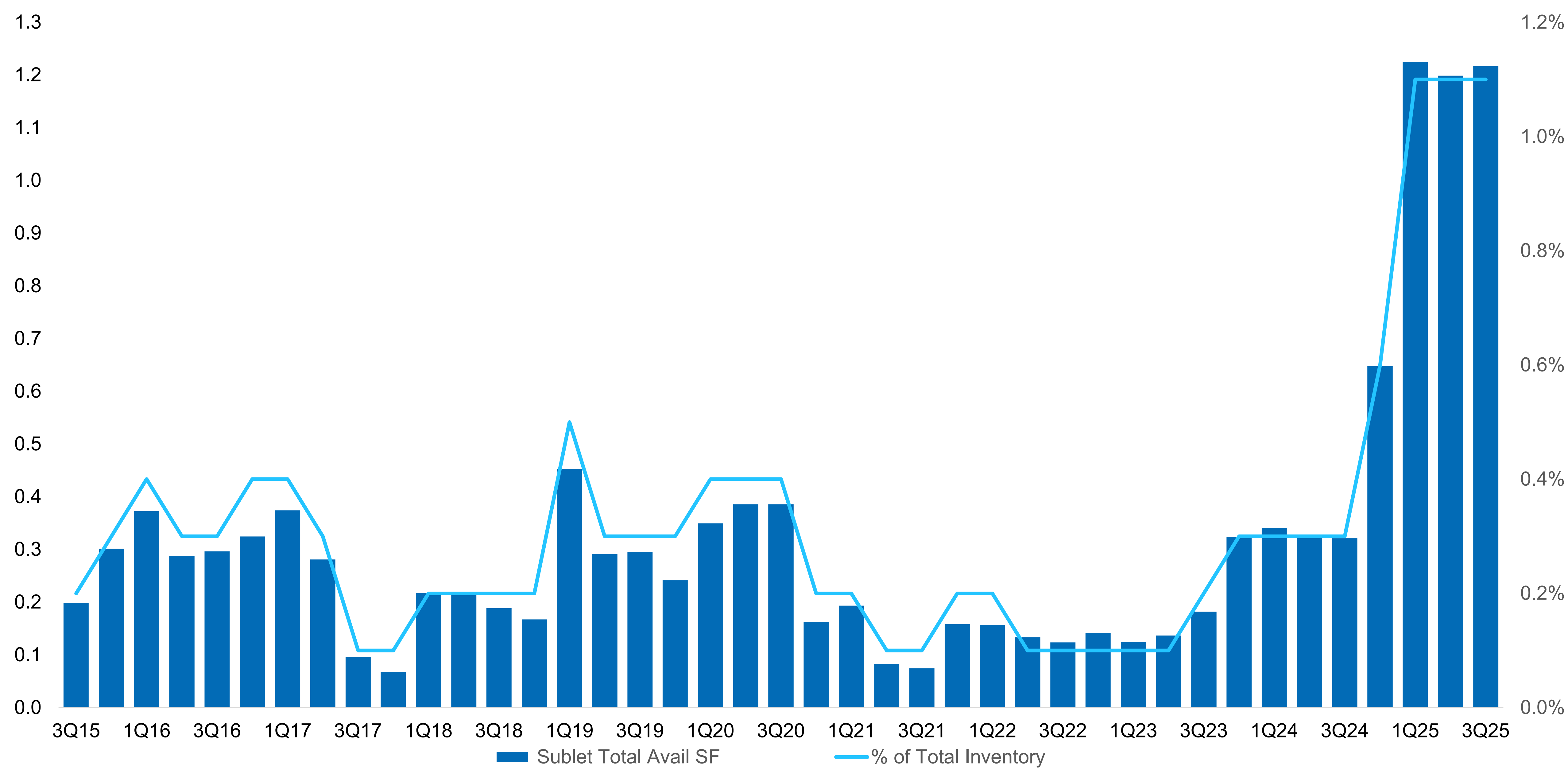


Source: Newmark Research

Industrial Sublease Availability Elevated Through First Three Quarters of 2025

Available sublease space remains elevated, with roughly 1.2 MSF of available sublease space to end Q3 2025, accounting for 1.1% of the market's total inventory. While this still represents a tight sublease market, it remains nearly four times larger than the ten-year average, and is nearly double the available sublease rate registered at the end of 2024. There are a handful of properties in the market that represent the bulk of sublease availability as of the Q3 2025. These include 500,000 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

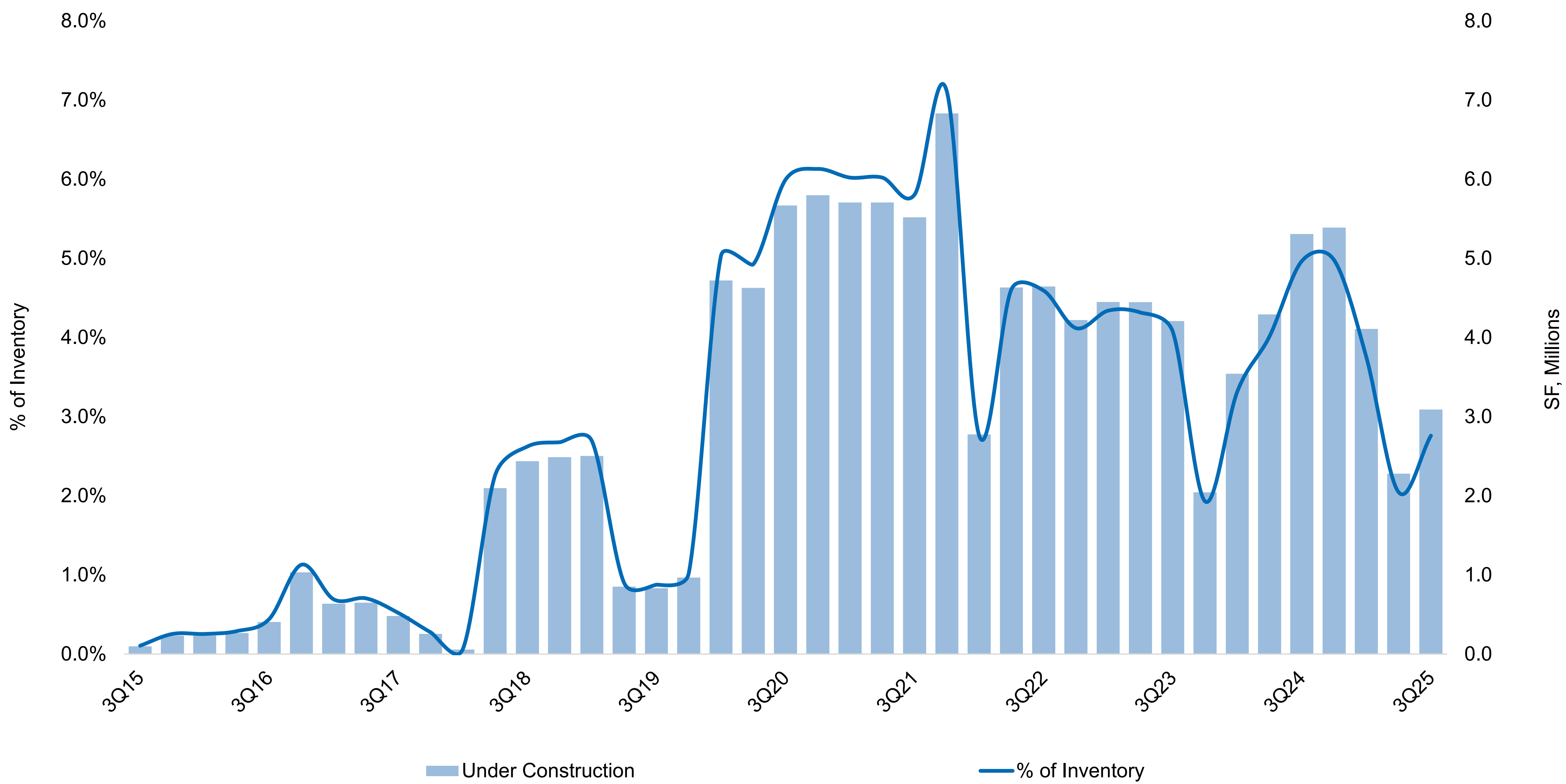


Source: Newmark Research

New Construction Supply Increases But Remains Below Five-Year Average

Industrial development has exploded in the Hampton Roads region during recent years, ending Q3 2025 with 7 properties under construction totaling just under 3.1 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. The market has averaged 4.5 MSF under construction over the last five years, 45.6% higher than the current pipeline. The market has seen more than 3.7 MSF deliver year-to-date, which, combined with future deliveries, creates a potential headwind for the market's industrial vacancy rates.

Industrial Under Construction and % of Inventory

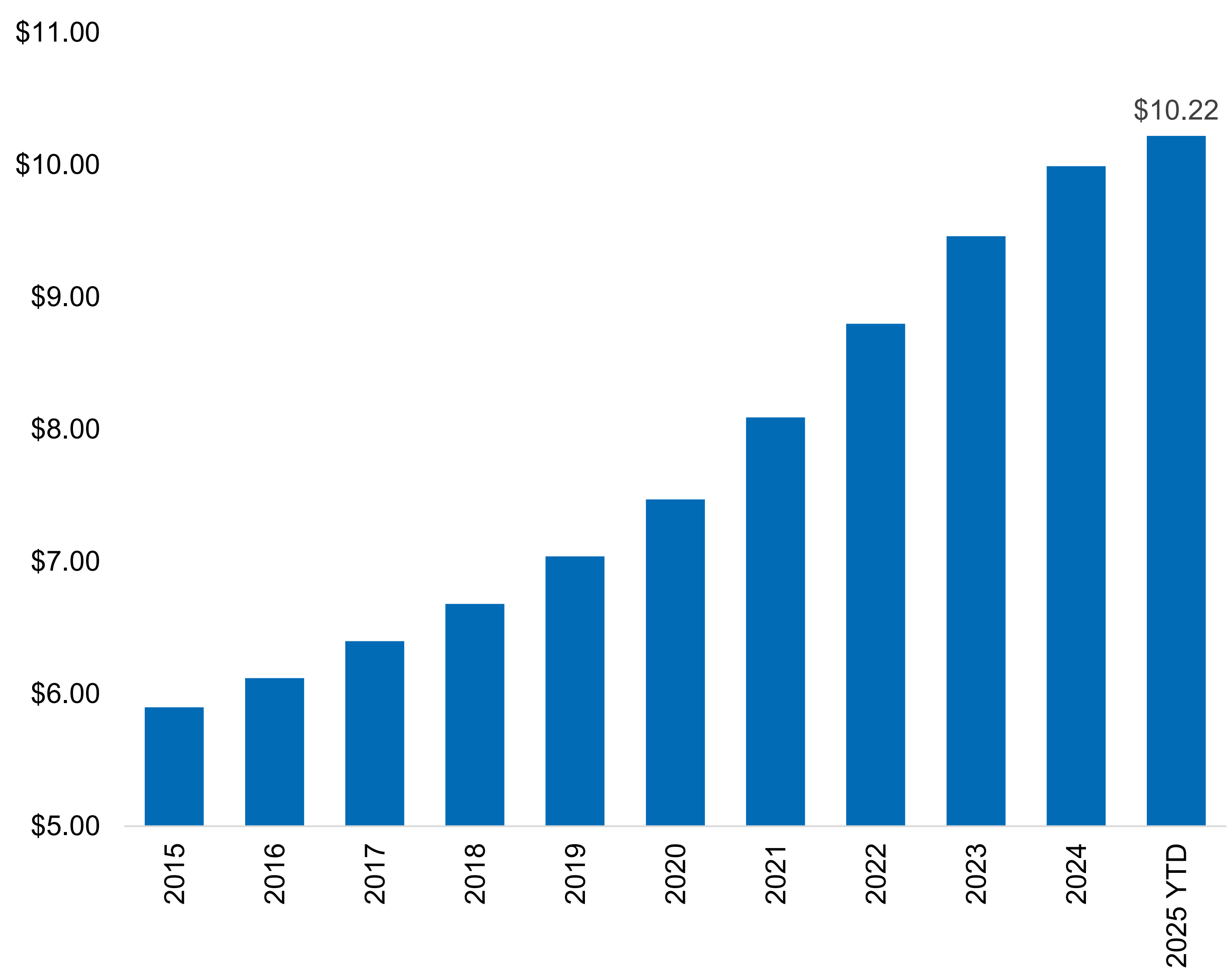


Source: Newmark Research

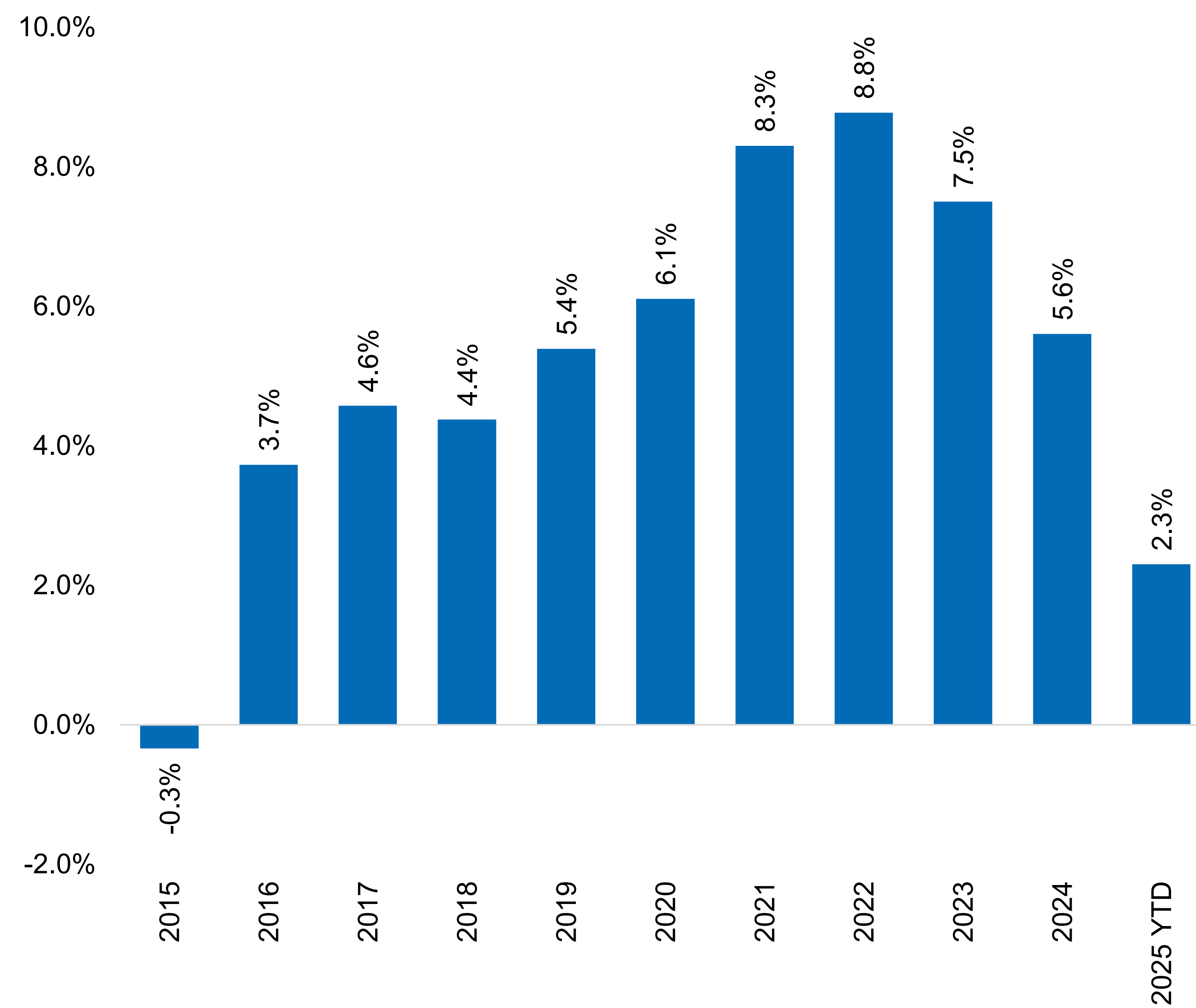
Asking Rents Increase During Third Quarter Though Pace of Growth Slowing

Average asking rents ended Q3 2025 at $10.22 PSF, an increase of 2.3% since the end of 2024. This is a stark deceleration in rent growth as the market averaged 8.2% annual rent growth from 2021-2023. Overall, the market has seen an impressive 43.5% 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

Each of the top five deals of 3Q 2025 were located on the Southside, highlighting the recent activity in that area of the region. Caligari Gerloff Painting, Inc., a commercial, industrial and maritime paint and coatings contractor headquartered in Norfolk and working in Virginia and North Carolina, signed the largest deal of the quarter, leasing 152,516 SF of space at 3700 Village Avenue in Norfolk.

Select 3Q Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Caligari Gerloff Painting, Inc.	3700 Village Avenue	Norfolk Industrial Park	Direct Lease	152,516
Barton International	1400 Cavalier Boulevard	Cavalier	Lease Renewal	102,099
HRCP	902 Cooke Avenue	Central Norfolk	Direct Lease	68,567
Locke Supply Co.	3760 E Virginia Beach Boulevard	Norfolk Industrial Park	Direct Lease	64,000
CBT Integrated Logistics LLC	115 Dill Road	South Suffolk	Direct Lease	40,000

Source: Newmark Research

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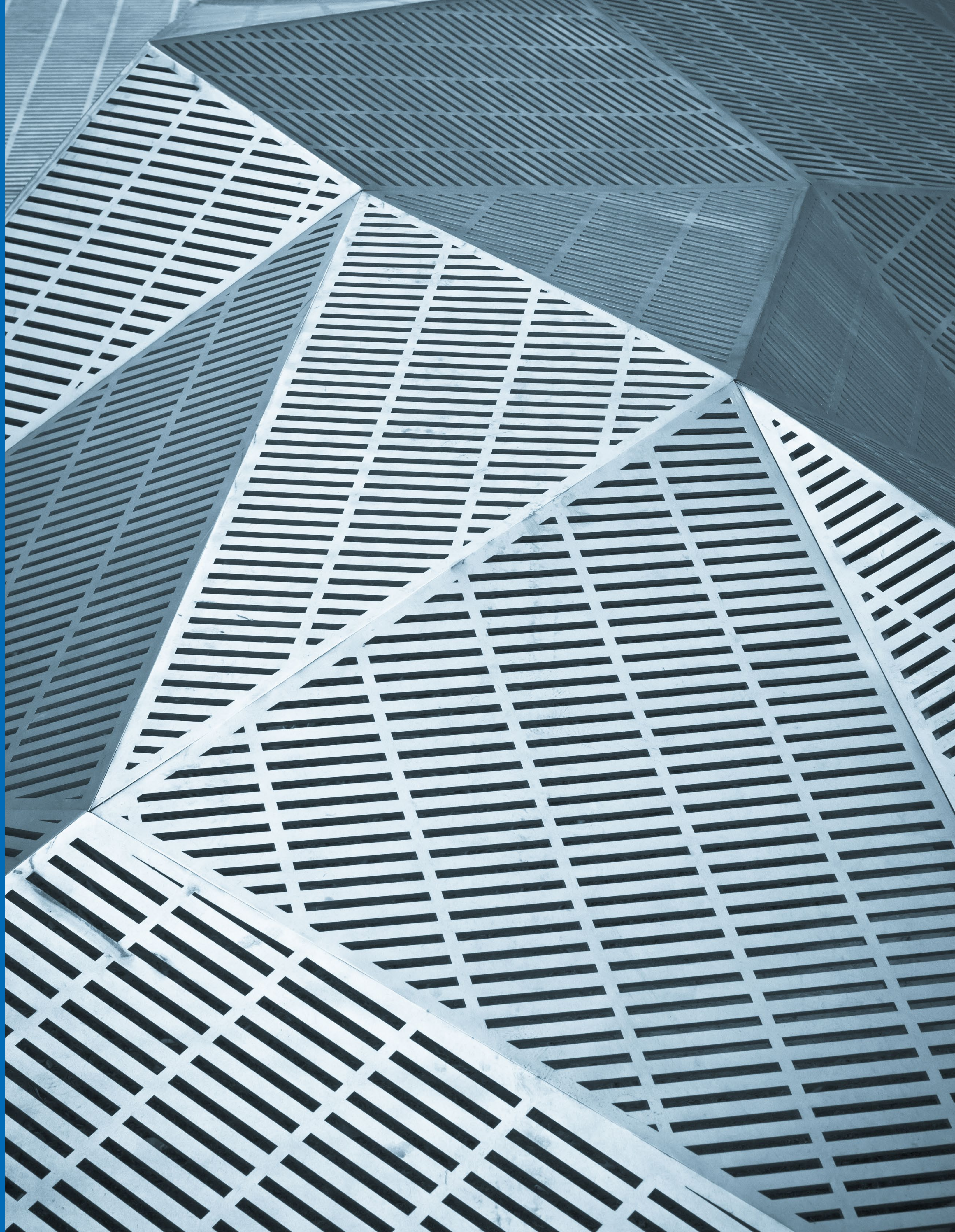
Market Statistics



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