NEWMARK

Hampton Roads Industrial Market Overview

4Q25

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Market Observations

Economy

- The Hampton Roads unemployment rate continues to outperform the national average, measuring 3.6% in September 2025. This is up 60 basis points year-over-year but remains 80 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 16.0% of the regional workforce. The manufacturing sector makes up a smaller portion of employment, at 7.0%.
- The number of industrial jobs declined in 2025, with employment down 5.7% year-over-year, as the negative effects of the tariff policies seem to be showing up in the industrial employment numbers. Industrial sectors ended September 2025 with 178,300 employees, 5.4% below the ten-year average but an increase of 14.1% since the market reached a historical low in April of 2020.

Leasing Market Fundamentals

- The market saw positive momentum in 2025, recording approximately 1.6 million square feet of positive net absorption for the year, though this was outweighed by 5.2 million square feet of new deliveries, pushing vacancy up to 7.7%.
- Rent growth continued, though the pace moderated. Average asking rents measured $10.30/S during the fourth quarter of 2025, reflecting 3.2% year-over-year growth. While well below the elevated gains seen from 2021–2023, rents remain 38.1% higher than 2020 levels, underscoring long-term pricing strength.
- Construction activity cooled by year-end following a heavy delivery cycle. The market closed 2025 with 1.7 million square feet under construction, well below both the five-year (4.3 million square feet) and ten-year (3.1 million square feet) averages, signaling a pullback after an aggressive development phase.

Major Transactions

- The largest sale transaction of the quarter was 1368 Progress Road in the South Suffolk submarket. The Suffolk, Virginia property is a 126,733-square-foot food processing facility. The property was purchased by HY Wholesale for $6.0 million, or $47/SF.
- Fourth-quarter leasing activity reflected steady occupier demand, highlighted by several mid-sized industrial transactions across the region. Hermes Abrasives, an industrial abrasives manufacturer, signed the largest new lease of the quarter, leasing 146,256 SF of space at 524 Viking Drive in the Lynnhaven submarket.

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 million square feet delivered in 2025 is expected to continue weighing on vacancy in the near term, particularly for newly delivered speculative space still in lease-up.
- Leasing activity is expected to normalize closer to historical levels. 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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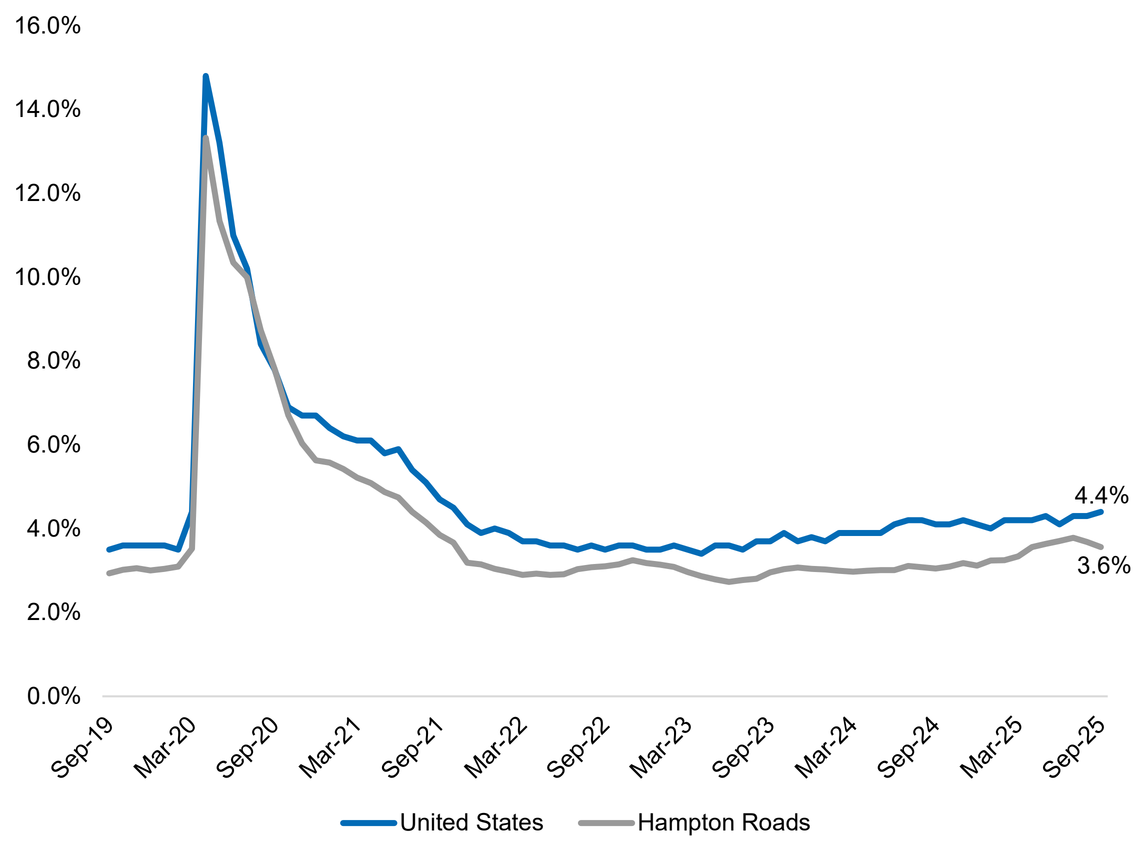
Economy

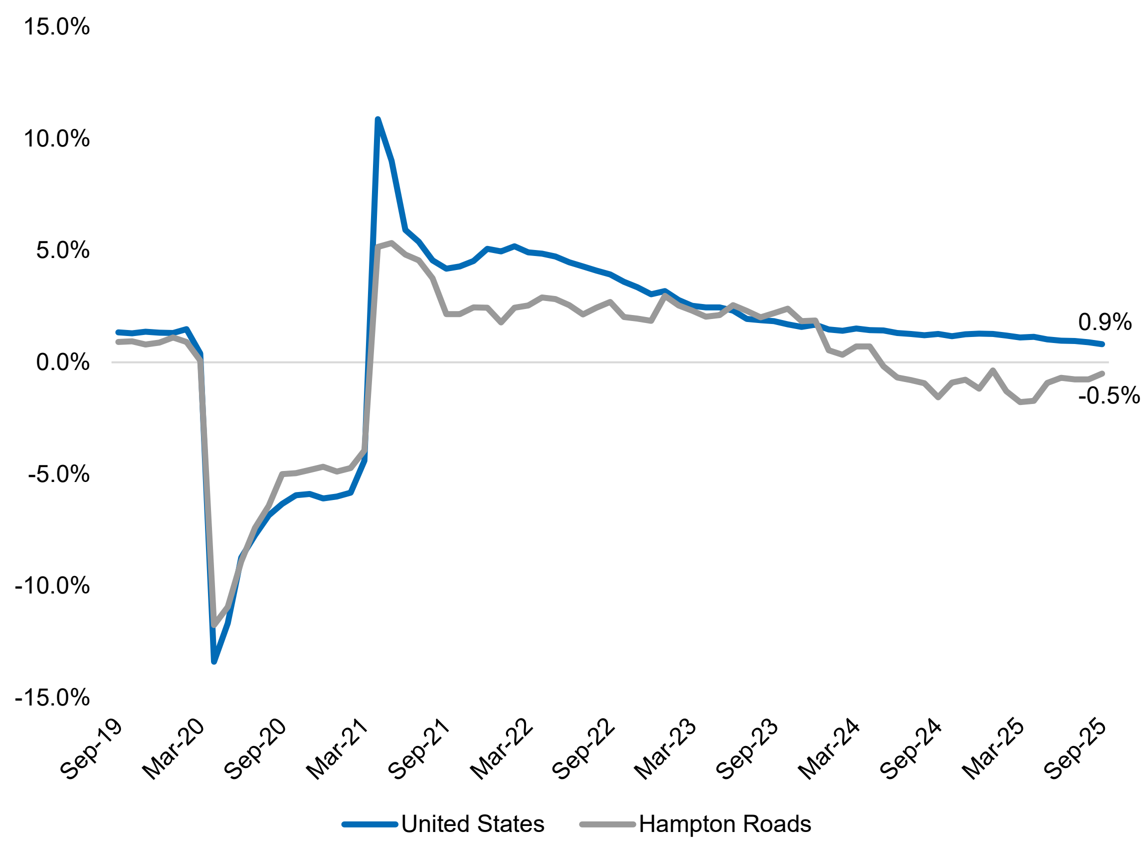
Hampton Roads’ Unemployment Rate Outperforms National Average

The Hampton Roads unemployment rate continues to outperform the national average, measuring 3.6% in September 2025. This is up 60 basis points year-over-year but remains 80 basis points below the national average.

Unemployment Rate, Seasonally Adjusted



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

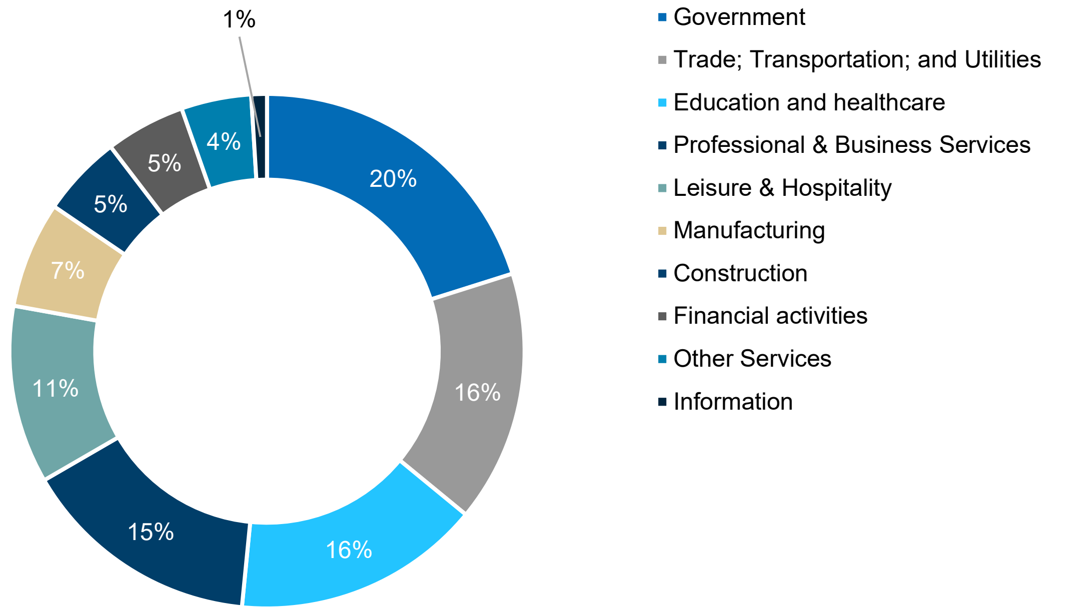


Source: U.S. Bureau of Labor Statistics, Hampton Roads

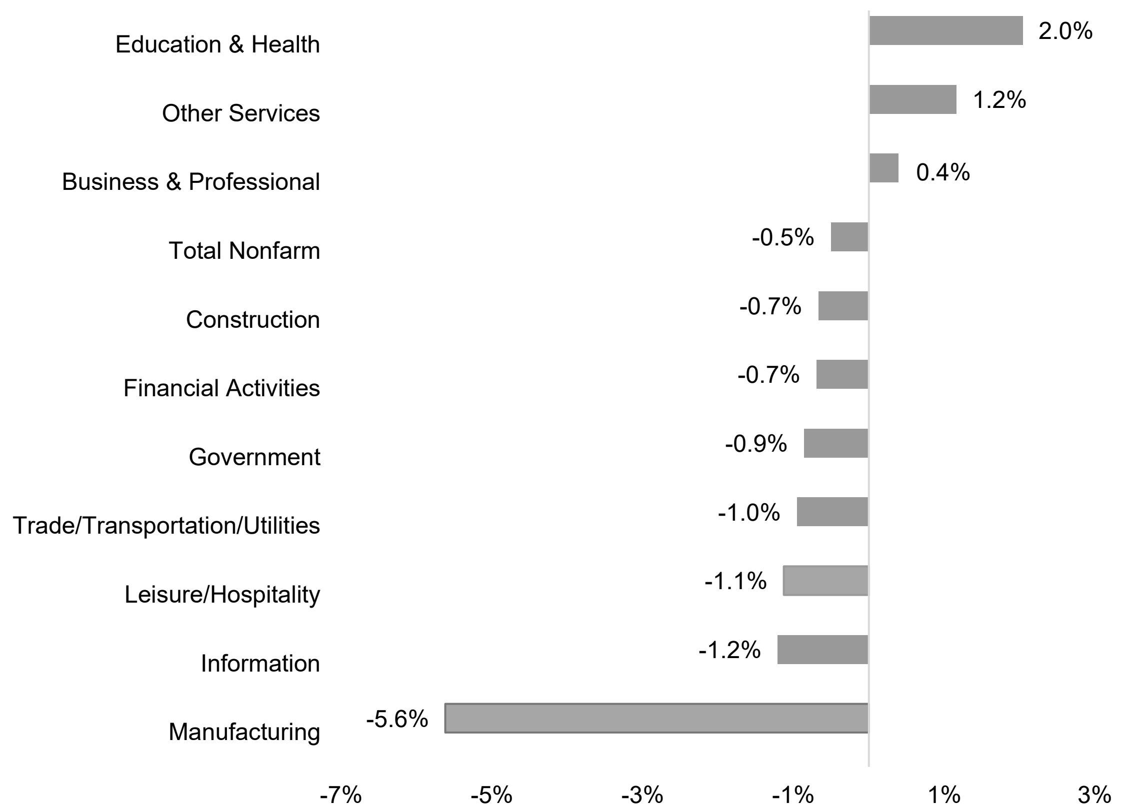
Total Employment Down Modestly Year-Over-Year

Hampton Roads has a relatively balanced local economy anchored by a mix of public-sector employment and industrial- and service-oriented private industries. Trade, Transportation, and Utilities and Education & Healthcare are the largest private-sector employment categories, accounting for 16% respectively of total regional employment. Over the past 12 months, total nonfarm employment declined 0.5%, with manufacturing representing the largest contributor declining by 5.6% year-over-year.

Employment by Industry, September 2025



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

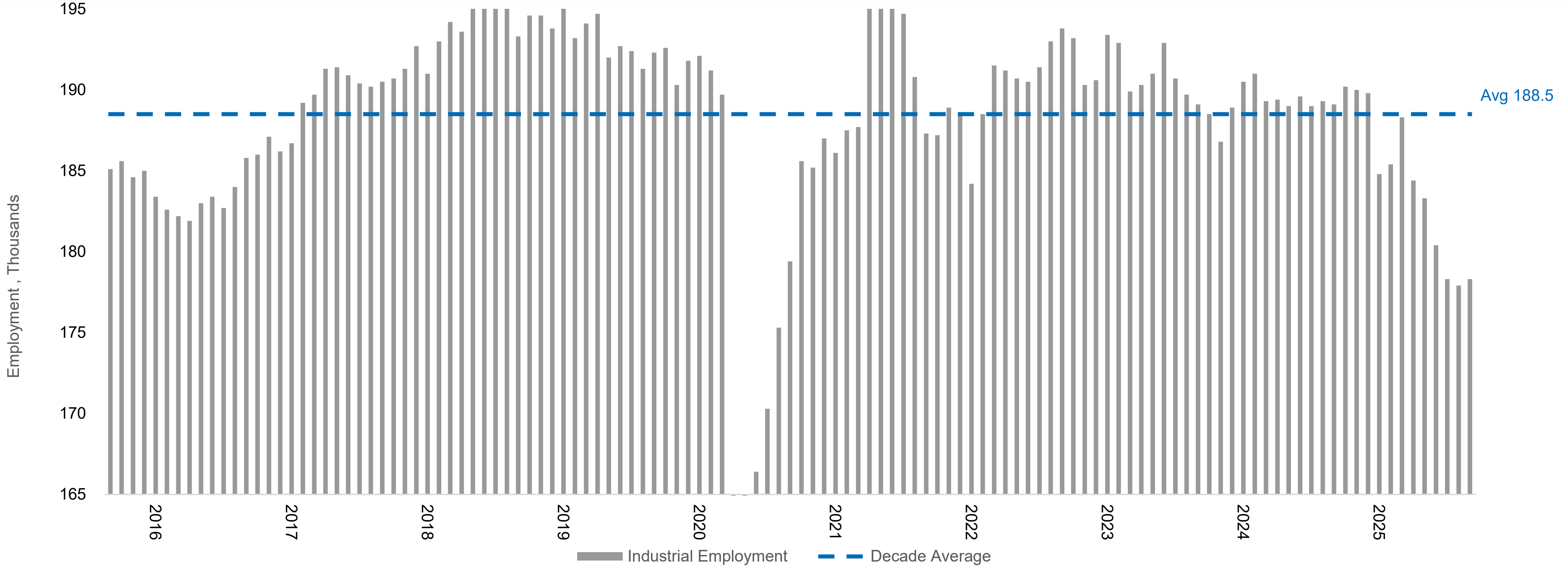


Source: U.S. Bureau of Labor Statistics, Hampton Roads

Industrial Employment Down in 2025

Industrial employment in Hampton Roads softened in 2025, with payrolls declining from late-2024 levels and trending below longer-term norms. As of September 2025, industrial employment totaled approximately 178,300 jobs, representing a 5.7% decline year-over-year and sitting 5.4% below the ten-year average of roughly 188,500 jobs. Despite the recent pullback, industrial employment remains meaningfully above pandemic-era lows, up 16.2% from the trough recorded in May 2020, underscoring 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.

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Leasing Market Fundamentals

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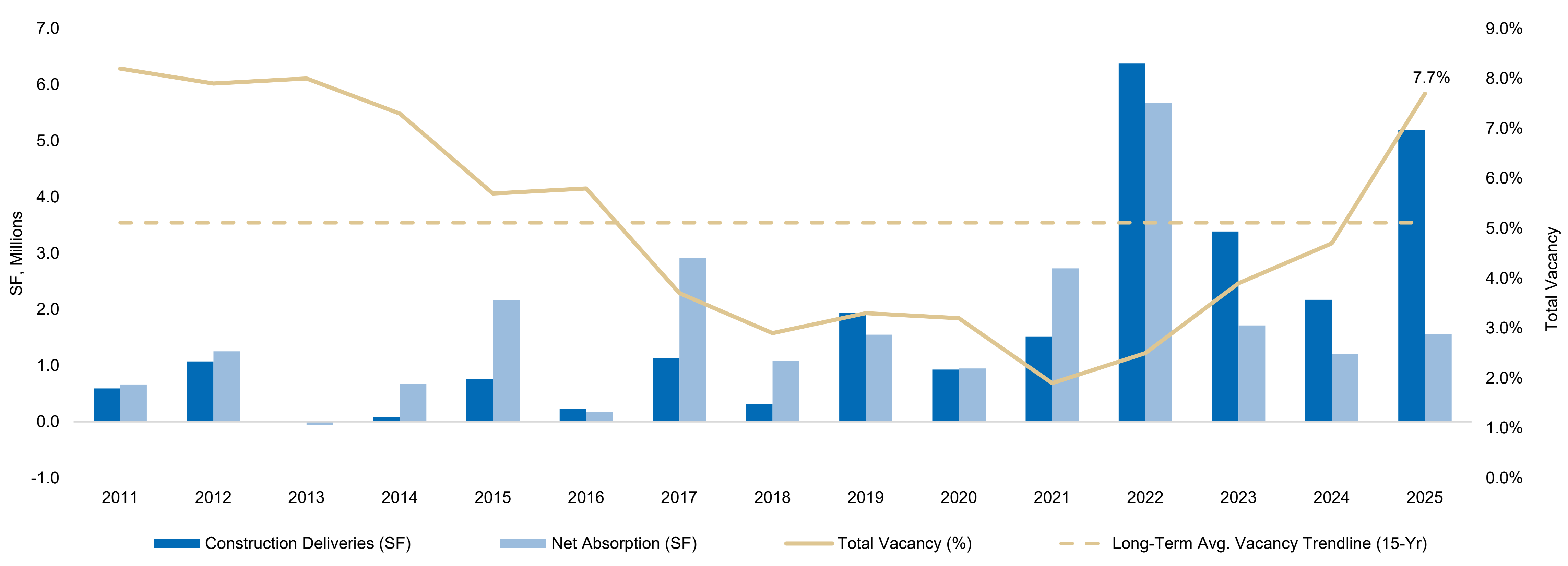
Hampton Roads Industrial Vacancy Rises as Supply Outpaces Annual Demand

The Hampton Roads industrial market has experienced vacancy pressure amid elevated delivery activity and moderating demand. In 2025, the market recorded approximately 5.2 million square feet of new construction deliveries, significantly outpacing 1.6 million square feet of net absorption for the year. As a result, vacancy increased to 7.7%, placing the market well above its 15-year average vacancy rate of 5.1%. While absorption remains positive on a year-to-date basis, demand has not kept pace with the recent wave of new supply, contributing to vacancy expansion. With additional projects remaining in the construction pipeline, near-term fundamentals will remain sensitive to leasing velocity, and sustained improvement will depend on a reacceleration of tenant demand to better absorb new inventory.

Historical Construction Deliveries, Net Absorption, and Vacancy



Source: Newmark Research

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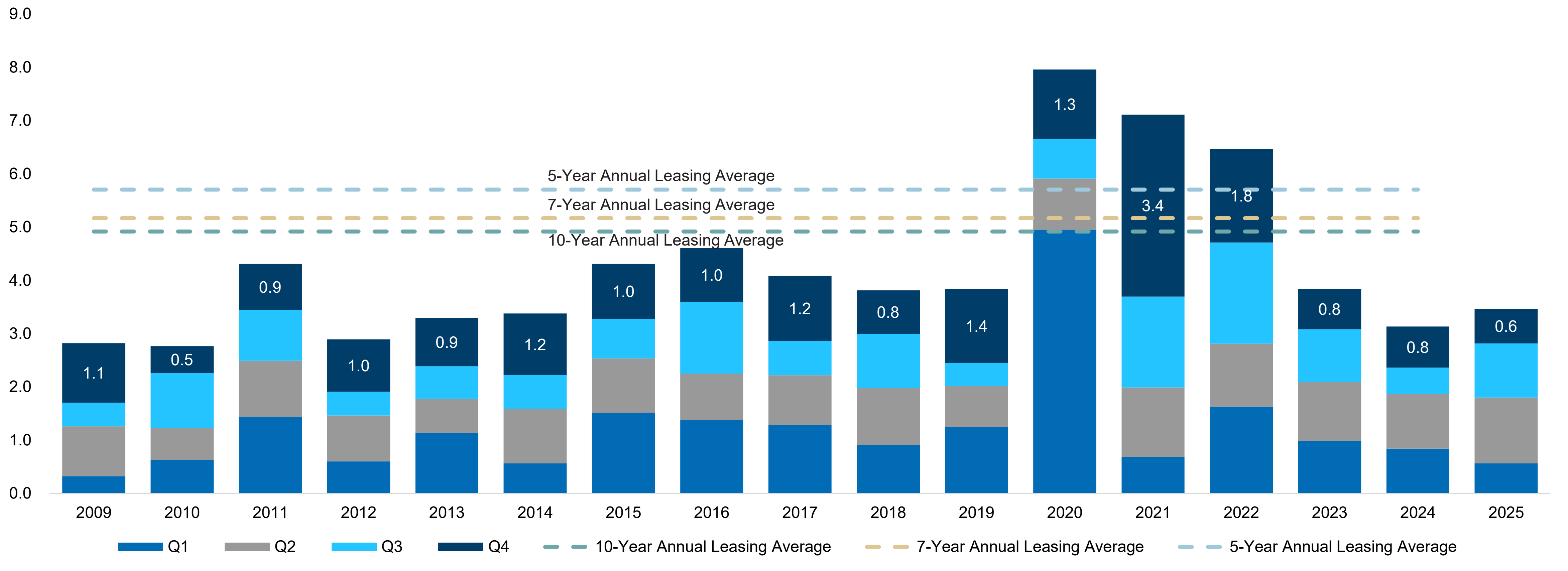
Industrial Leasing Activity Accelerates in 2025

The Hampton Roads industrial market saw leasing accelerate in 2025, with the 3.5 million square feet of annual leasing volume representing a 10.5% increase over 2024. This follows a four-year trend of declining annual leasing activity since the market hit a peak of 8.0 million square feet during 2020. The recent improvement reflects the region's strategic positioning as a logistics and defense-oriented market, supported by port activity and mission-critical supply chains that continue to generate steady industrial demand.

Total Leasing Activity (million square feet)

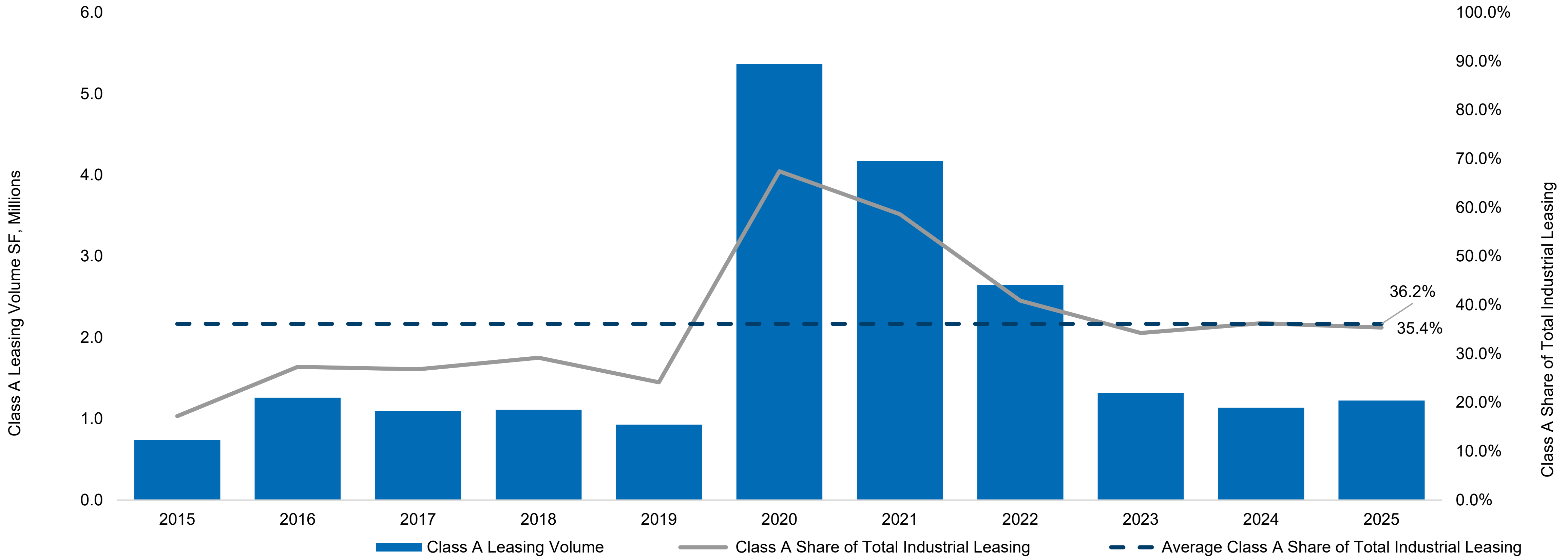


Source: Newmark Research

Class A Share of Industrial Leasing Holds Near Long-Term Average

Although Class A industrial leasing activity remains below the elevated levels recorded during 2020 and 2021, Class A product continues to capture a meaningful share of tenant demand in Hampton Roads. Through year-end 2025, Class A space accounted for approximately 35.4% of total industrial leasing, modestly below the 10-year average of 36.2%, but broadly in line with historical norms. Annual Class A leasing volume totaled approximately 1.2 million square feet in 2025, remaining above the average pace observed between 2015 and 2019, when Class A leasing averaged roughly 1.1 million square feet annually, supported by increased Class A deliveries over the past five years.

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

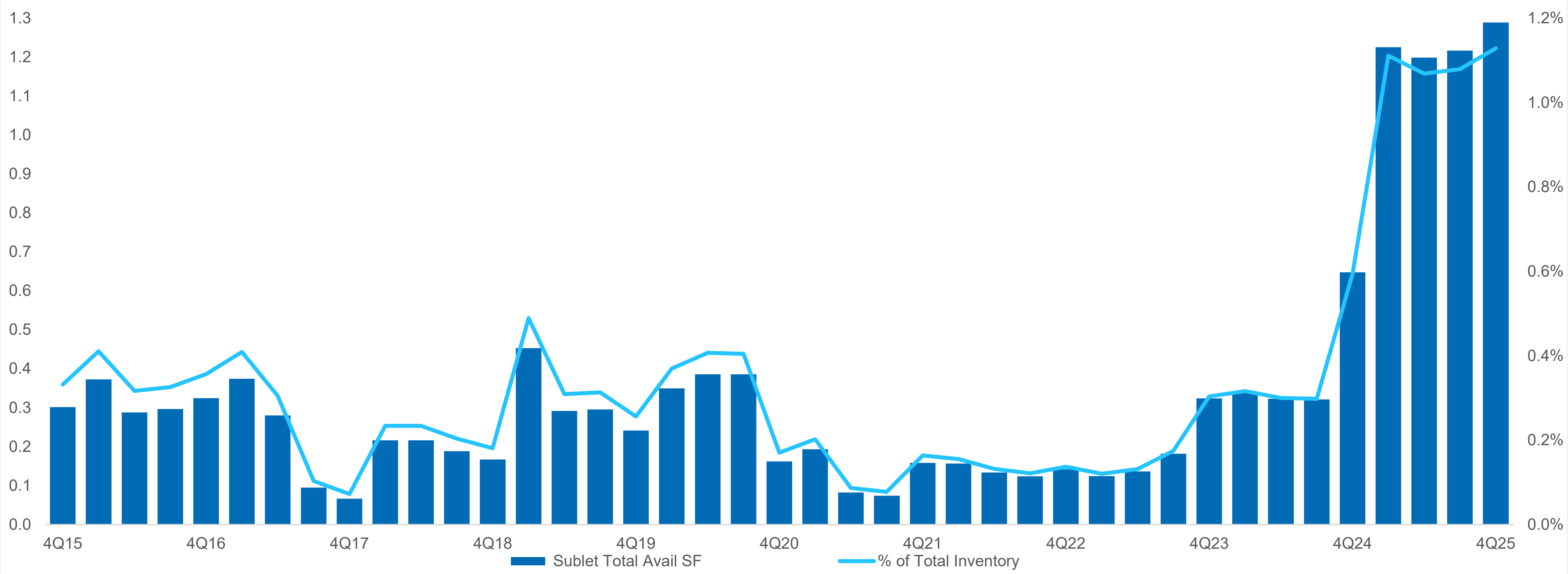


Source: Newmark Research

Industrial Sublease Availability Remains Near Record Highs During Fourth Quarter

Available sublease space remains elevated, totaling approximately 1.3 million square feet at the end of the fourth quarter of 2025 and accounting for 1.1% of total market inventory. While sublease availability remains relatively tight, current levels are nearly four times the ten-year average and roughly double the level recorded at year-end 2024.

Available Industrial Sublease Volume (million square feet) and % of Total Inventory

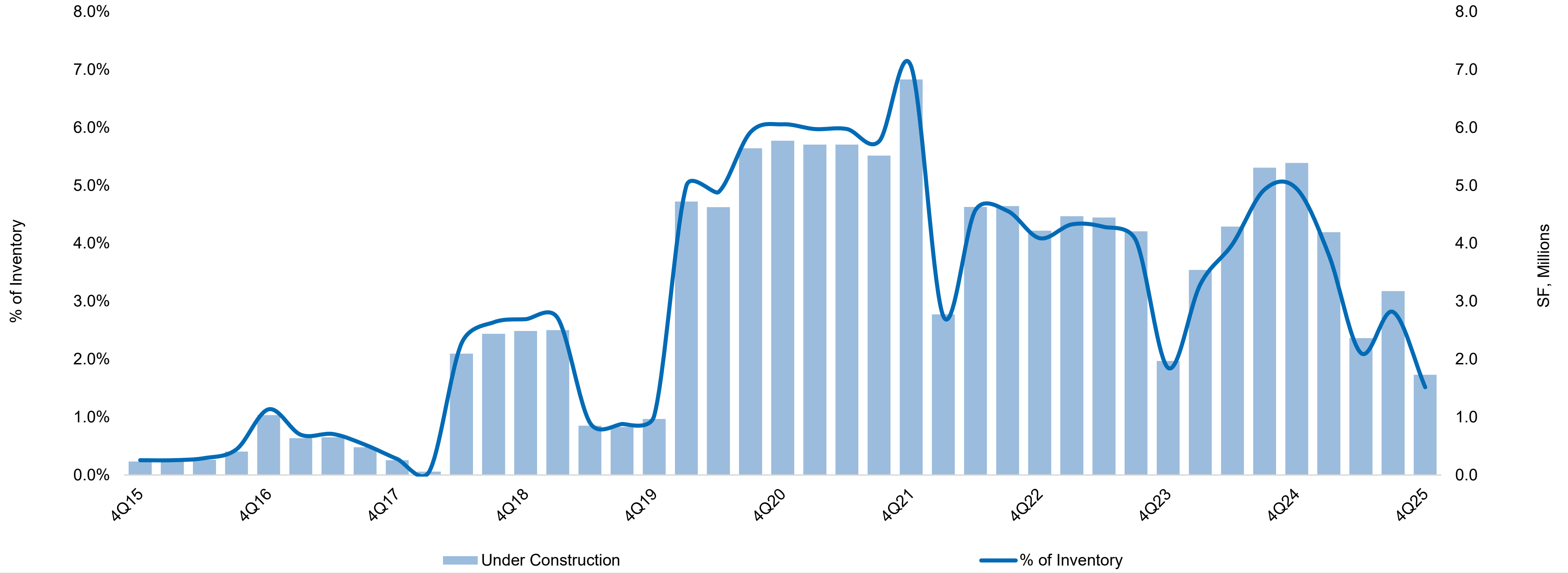


Source: Newmark Research

Industrial Construction Moderates as Development Slows

Industrial construction activity in Hampton Roads moderated meaningfully by year-end. The market closed 2025 with approximately 1.7 million square feet under construction, representing 1.5% of total inventory, well below both the five-year average of 4.3 million square feet and the ten-year average of 3.1 million square feet. This marks a sharp pullback from the recent development cycle peak of 6.8 million square feet under construction during the fourth quarter of 2021, reflecting a combination of project completions, fewer speculative starts, and more disciplined capital deployment. While the market delivered 5.2 million square feet in 2025, the reduced construction pipeline should help limit incremental vacancy pressure heading into 2026.

Industrial Under Construction and % of Inventory

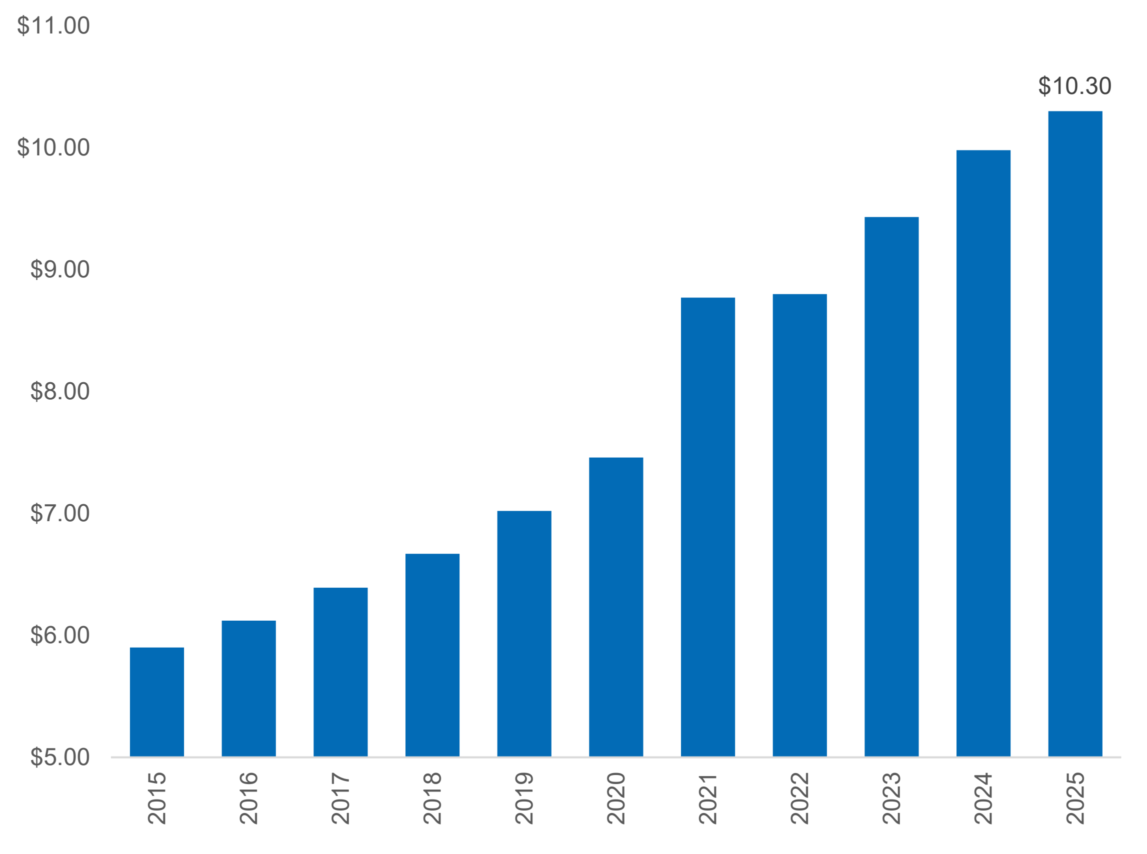


Source: Newmark Research

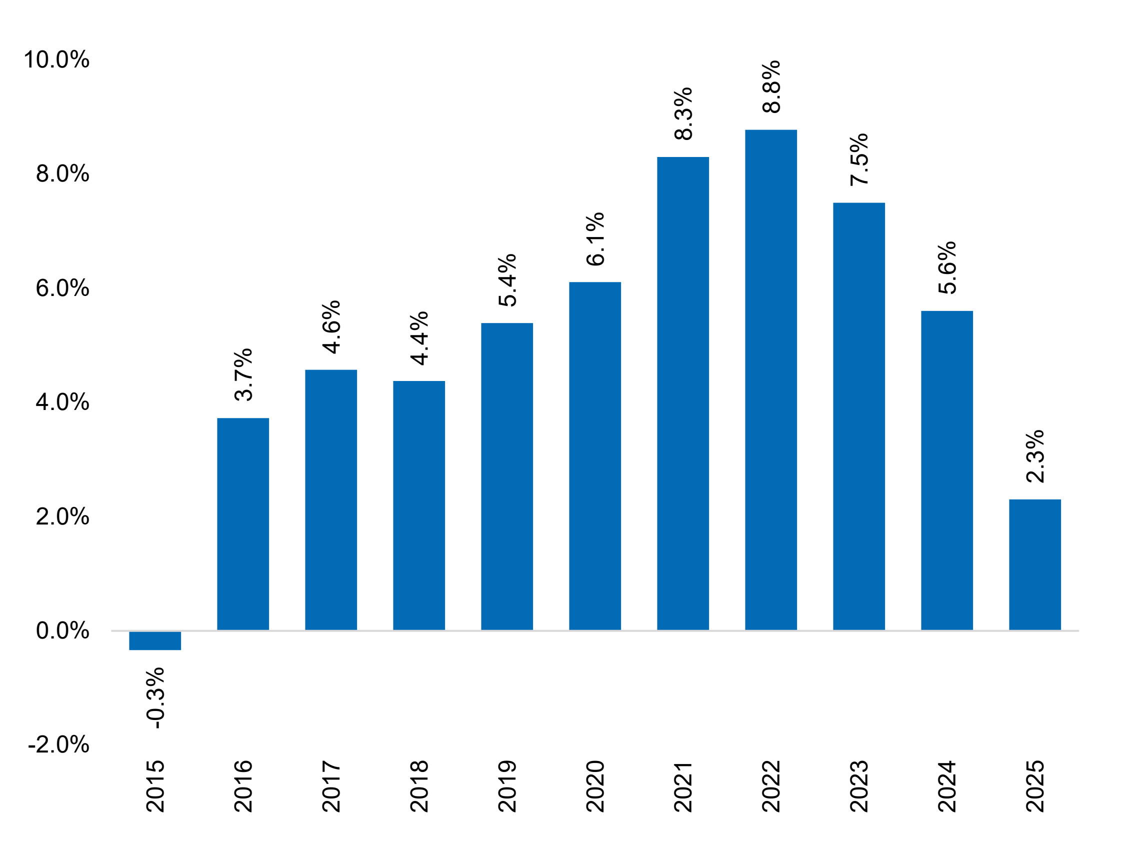
Asking Rents Tick Up Though Pace of Growth Slowing

Average asking rents ended the fourth quarter of 2025 at $10.30/SF, reflecting 3.2% year-over-year growth. While rents continued to rise, the pace of growth slowed materially from the elevated gains recorded between 2021 and 2023, when annual increases averaged more than 8.0%. Despite this deceleration, asking rents remain 38.1% 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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Newmark business contact for this information

NEWMARK

Liz Berthelette
Head of Northeast Research &
National Life Science Research

elizabeth.berthelette@nmrk.com

Kevin Sweeney
Associate Director
Mid-Atlantic Research

kevin.sweeney@nmrk.com

Chad Braden
Senior Research Analyst
Mid-Atlantic Research

chad.braden@nmrk.com

Nick Schlanger
Senior Research Analyst
Mid-Atlantic Research

nick.schlanger@nmrk.com

Salini Thiraviyarajah
Research Analyst
Mid-Atlantic Research

salini.thiraviyarajah@nmrk.com

District of Columbia
1899 Pennsylvania Avenue,
NW Suite 300
Washington, DC 20006
t 202-331-7000

New York Headquarters
125 Park Ave.
New York, NY 10017
t 212-372-2000