

NEWMARK

# Hampton Roads Office Market Overview

4Q25

# U.S. 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.
- 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 131,000 SF of positive net absorption during the fourth quarter of 2025, ending the quarter at a 12.8% vacancy rate, a tightening of 40 basis points quarter-over-quarter. This positive net absorption was highlighted by over 23,000 SF occupied by the Coast Guard Exchange at 510 Independence Parkway in October. Despite the positive fourth quarter, the market experienced almost 300,000 SF of negative net absorption during 2025, largely due to over 100,000 SF being vacated at Crossways I in Chesapeake.
- Rents showed positive movement during 2025, ending the year at \$23.57/SF, relatively flat quarter-over-quarter, however an increase of 2.8% year-over-year.
- Although there were no deliveries during the year, there are four properties, totaling 185,000 SF, under construction in the market. All four developments are located in the city of Chesapeake, one of the main office hubs of the region.



## Major Transactions

- The largest transaction of the year was a portfolio sale of two office buildings and a retail building in Newport News, totaling 226,668 SF on 33.0 acres. Ferguson Enterprises sold the portfolio to Costco for land value, a total of \$17.8 million, or \$1.35M/AC. All three buildings were fully vacant at the time of sale, as Ferguson Enterprises had vacated the properties in August of 2024, when it moved into a new headquarters in City Center. Costco plans to raze the existing buildings to construct a big box retail building and fuel station on the site.
- A second notable deal during the year was the sale of 1341 Crossways Boulevard, a 198,000-square-foot, three-story office building located in the Greenbrier submarket of Chesapeake. Cox Communications sold the Class A office building to USAA for \$24 million, or \$121.21/SF. USAA is relocating from 520 Independence Way and plans to move into the building in March of 2026, which will allow the company to add 500 new roles to the new office.



## Outlook

- A positive employment trajectory seems likely, with office employment 3.2% 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 (3.6% 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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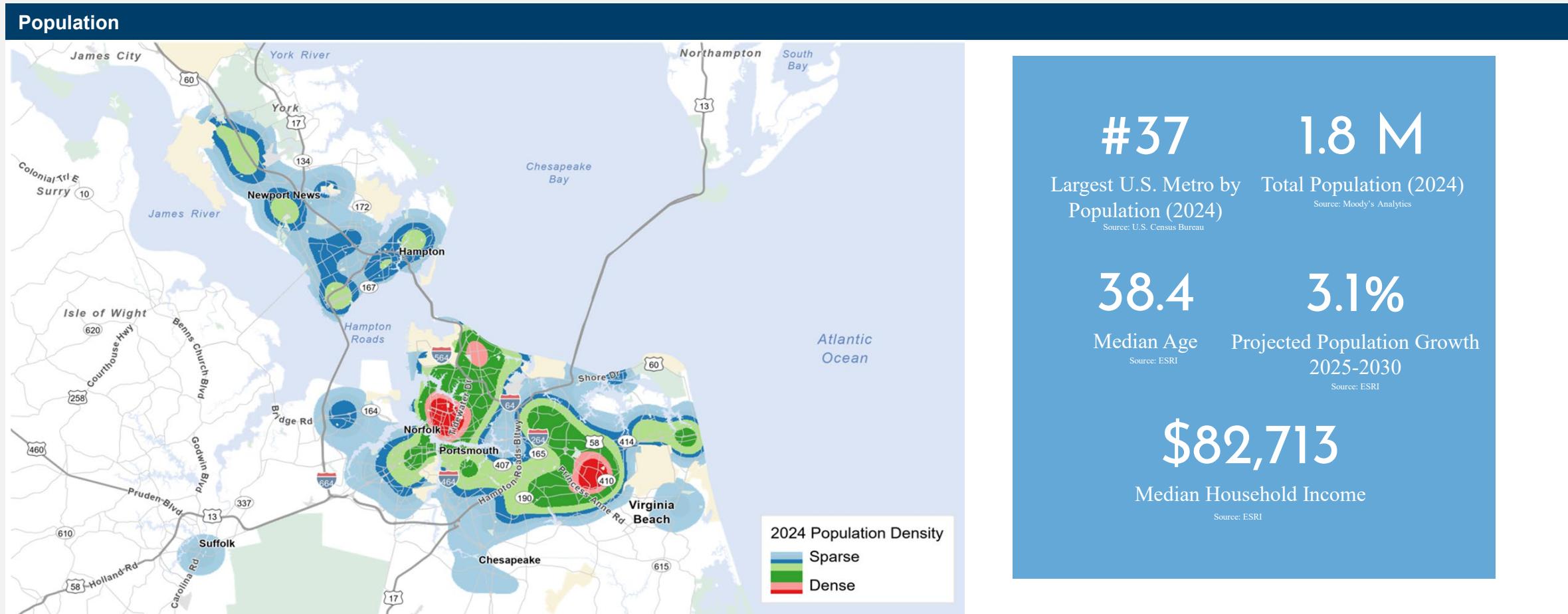
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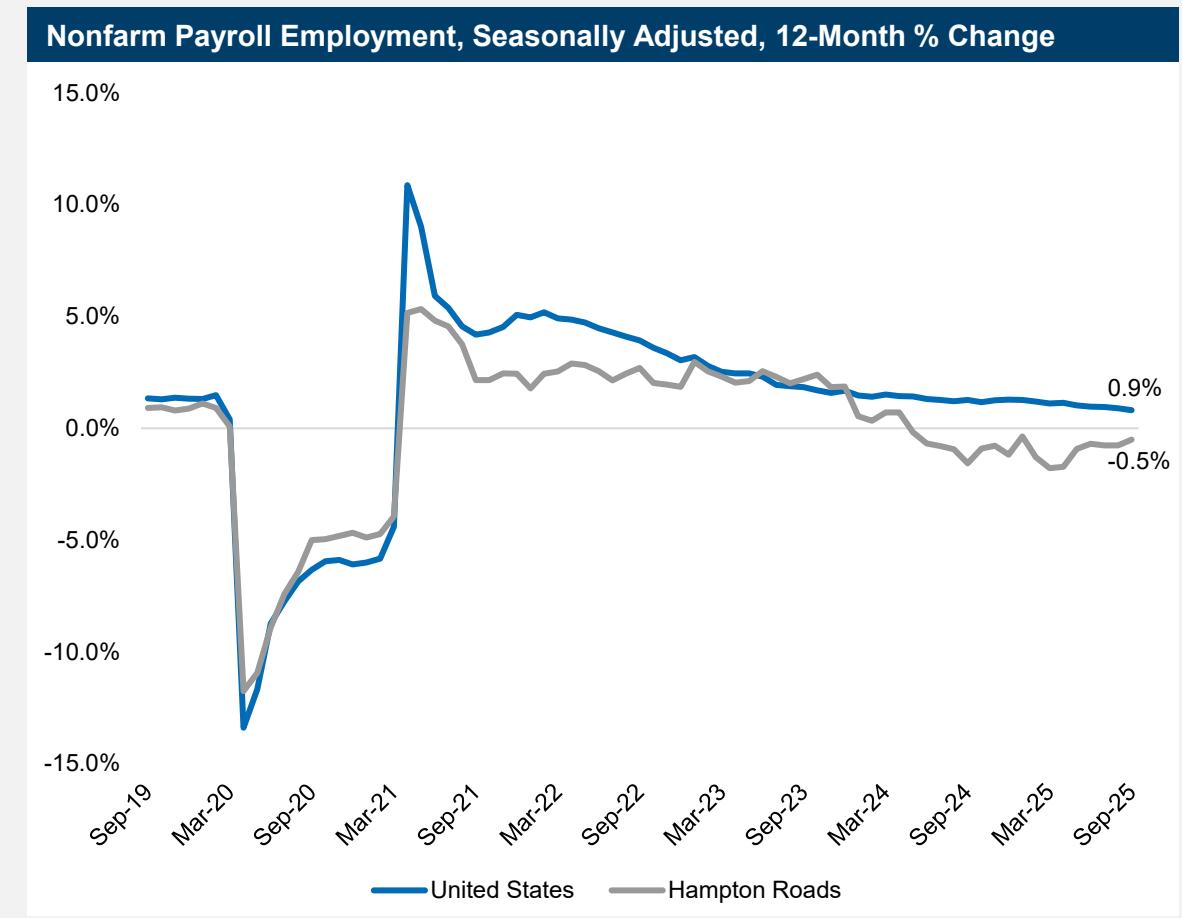
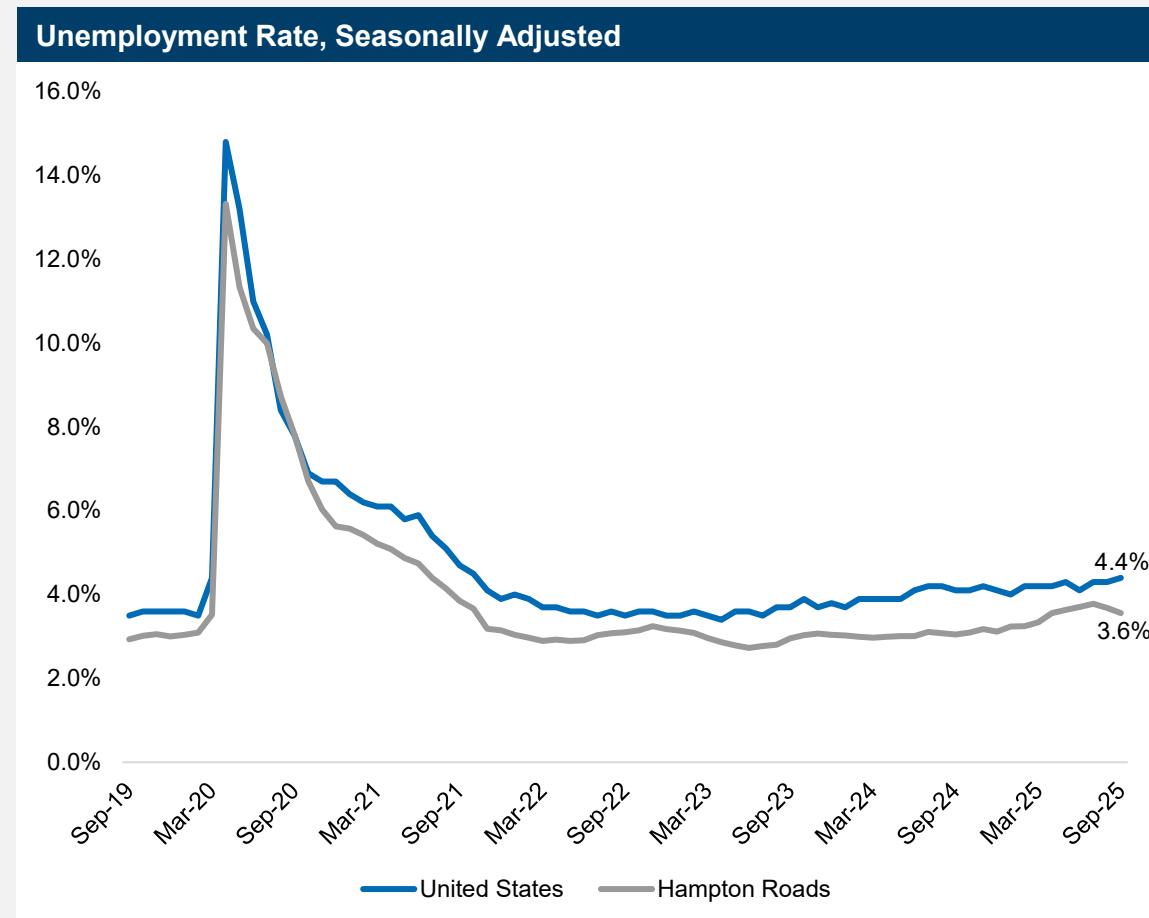
# Hampton Roads Poised to See Elevated Population Growth

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%.



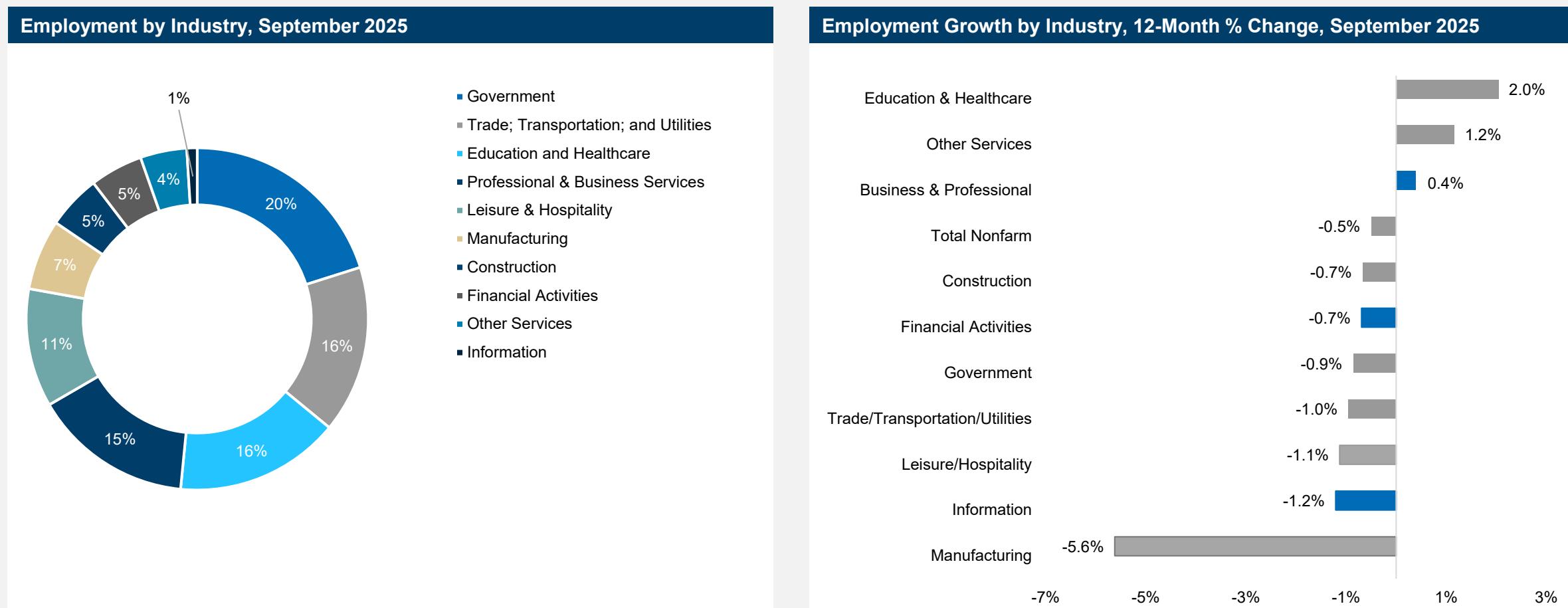
# Hampton Roads' Unemployment Rate Outperforms National Average

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



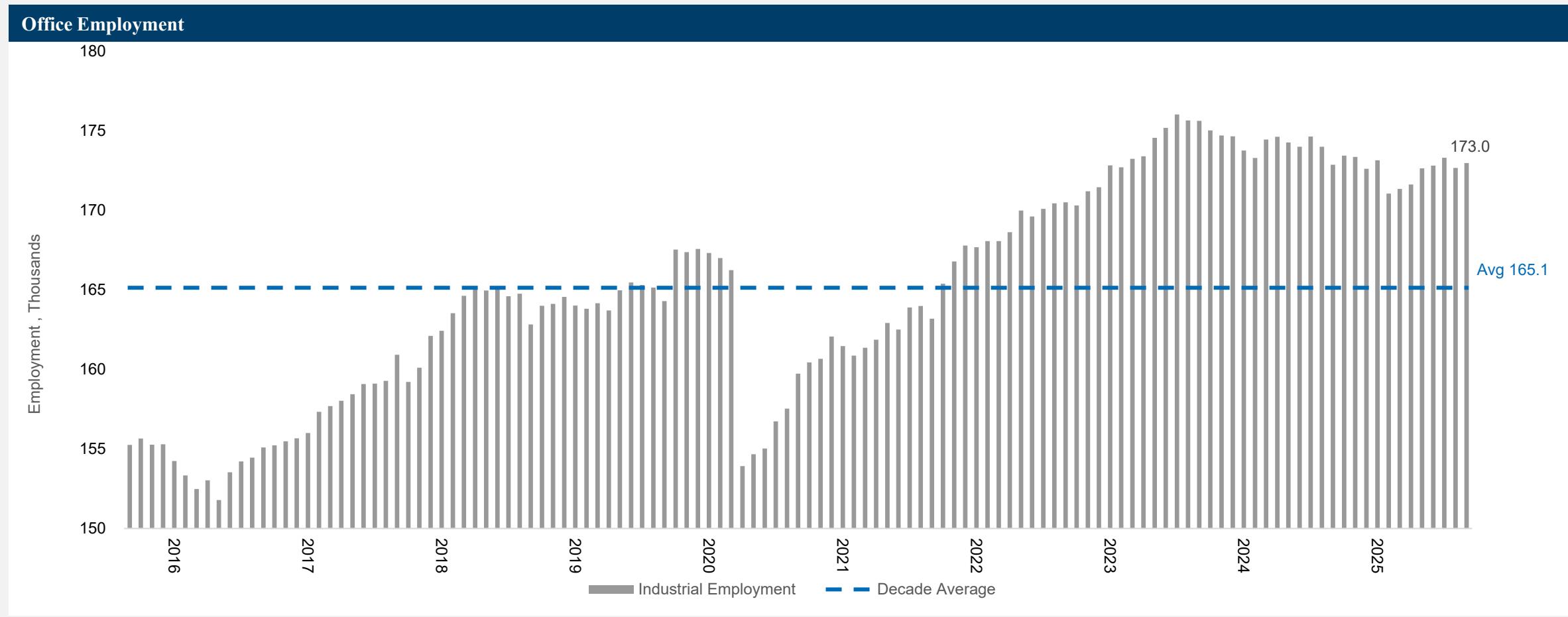
# Total Employment Down Modestly Year-Over-Year

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 51% of the region's overall workforce. Over the past 12 months, total nonfarm employment declined 0.5%, with Education & Healthcare as the top-performing sector, with 12-month growth of 2.0%.



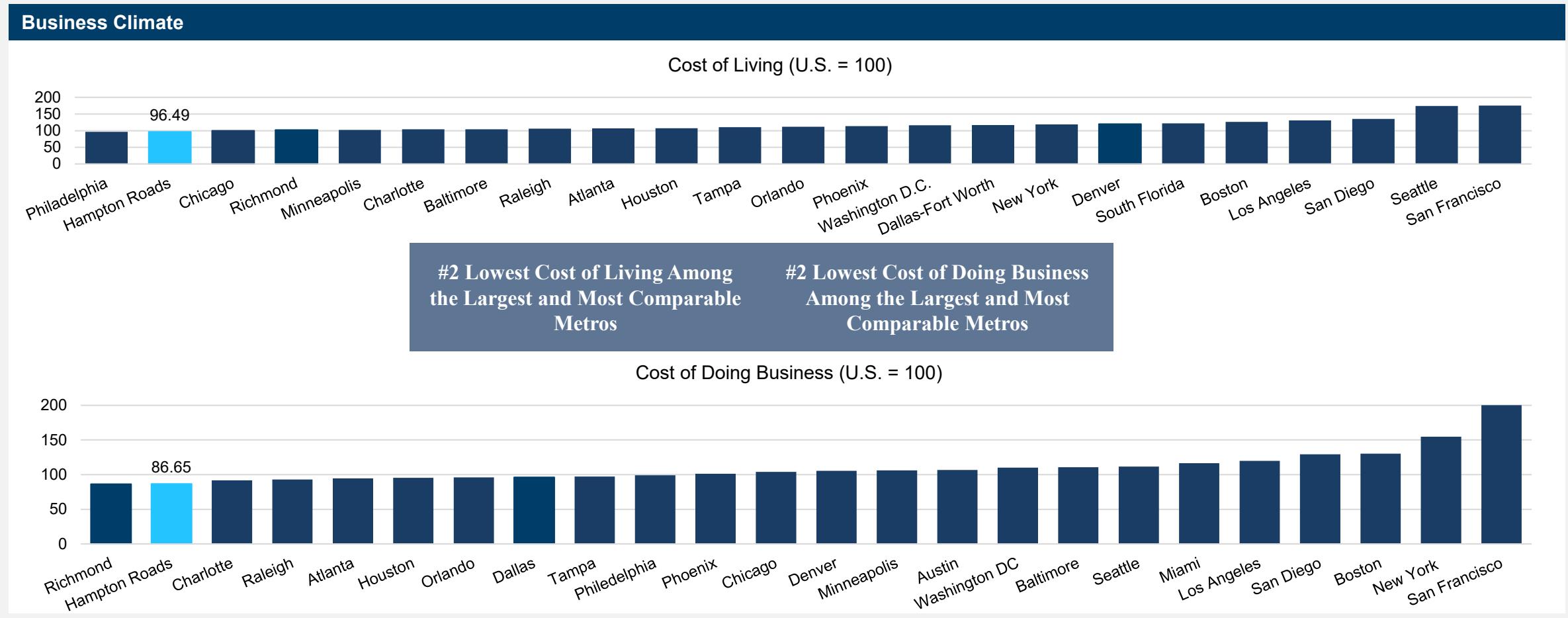
# Office Employment Remains Elevated

The number of office jobs in Hampton Roads has rebounded and remains elevated above pre-pandemic levels. Employment ended September 2025 at 173,000 employees, 3.2% higher than the pre-pandemic high in December 2019 and an increase of 12.4% 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.



# 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.



# 02

## Leasing Market Fundamentals

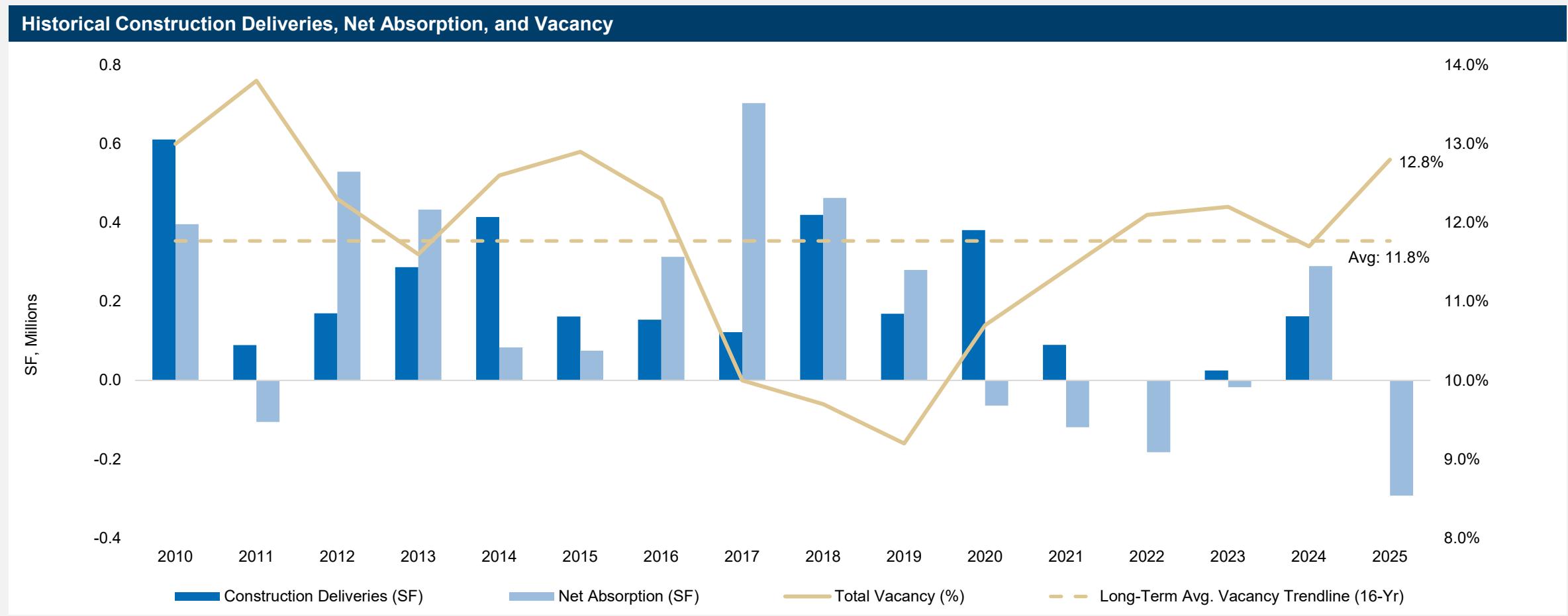
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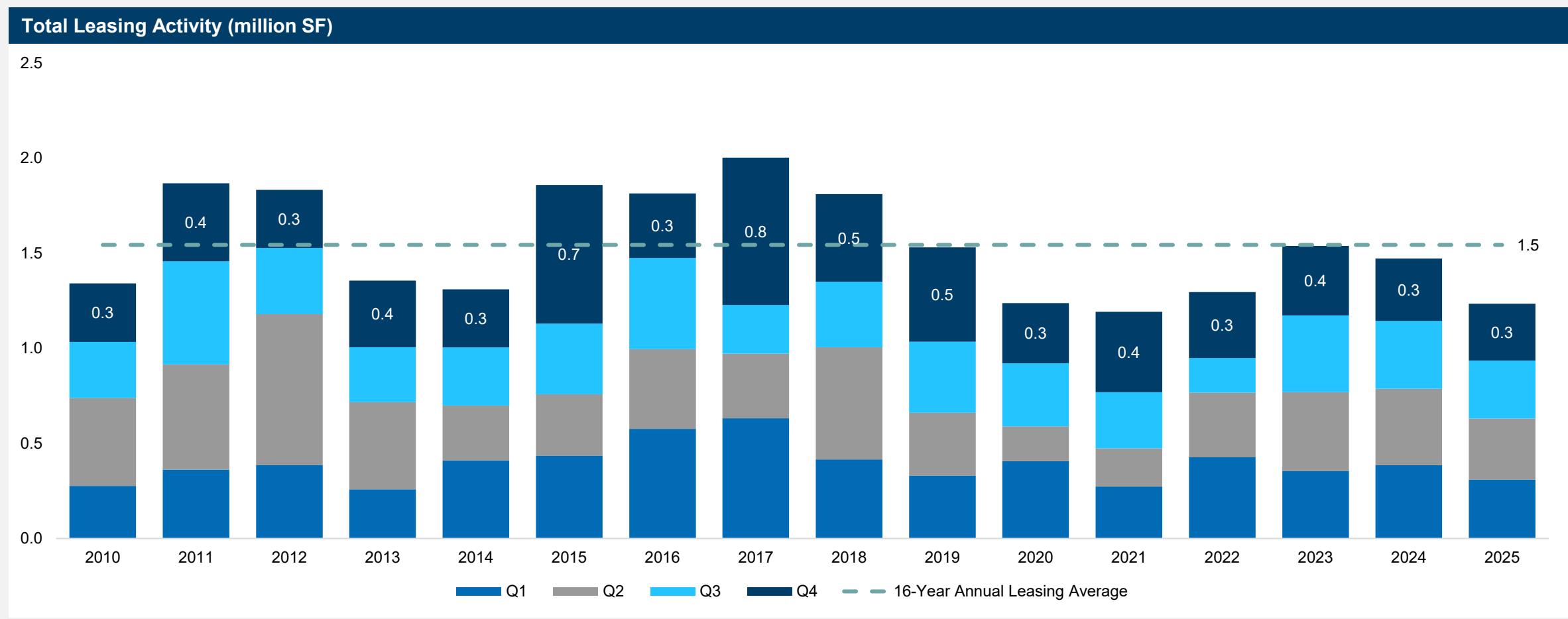
# Hampton Roads Remains Stable Relative to Markets Nationally

The Hampton Roads office market experienced 290,000 SF of negative net absorption during 2025, largely due to over 100,000 SF of space being vacated at Crossways I within the Greenbrier submarket in Chesapeake. The market ended the year at a 12.8% vacancy rate, an expansion of 110 basis points year-over-year. The market has been consistently expanding since ending 2019 at a historically tight vacancy rate of 9.2%. Despite this recent expansion in vacancy, the market is performing extremely well nationally, ending the year as the seventh tightest market in the country.



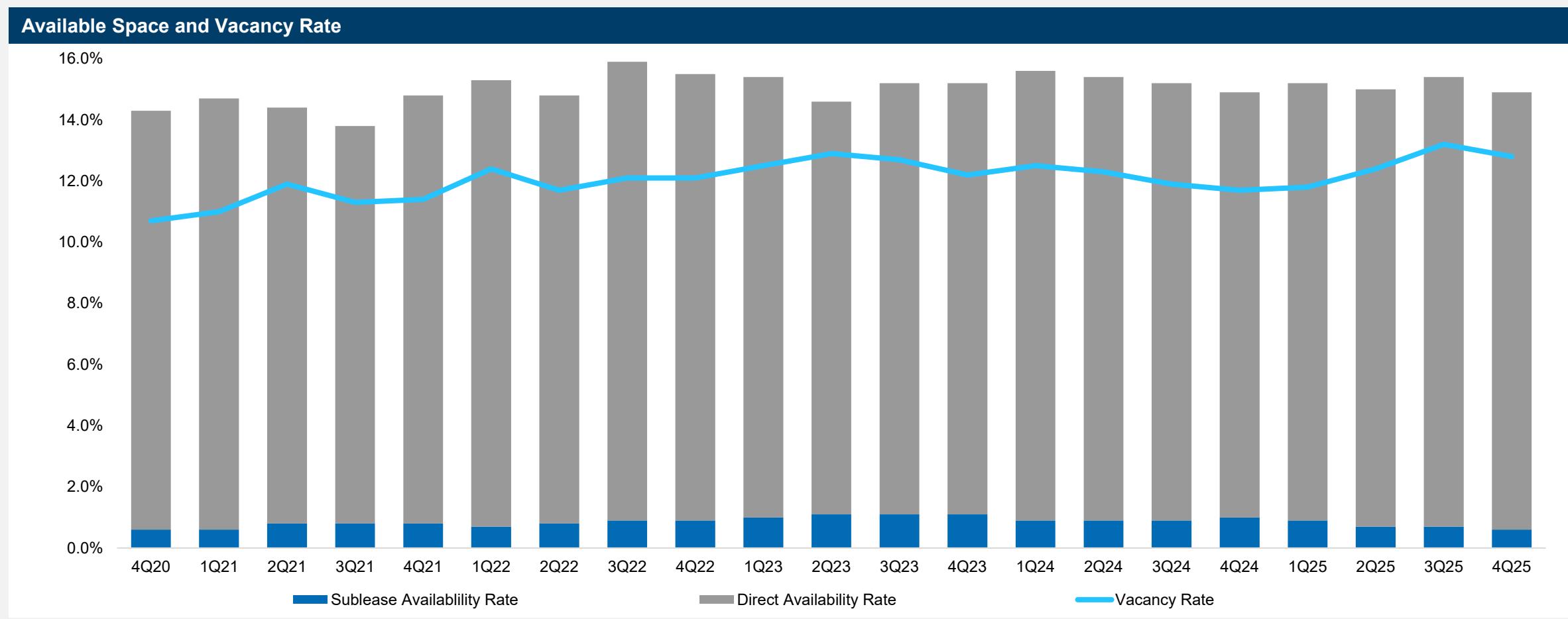
# Leasing Activity Remains Stable Despite Deceleration

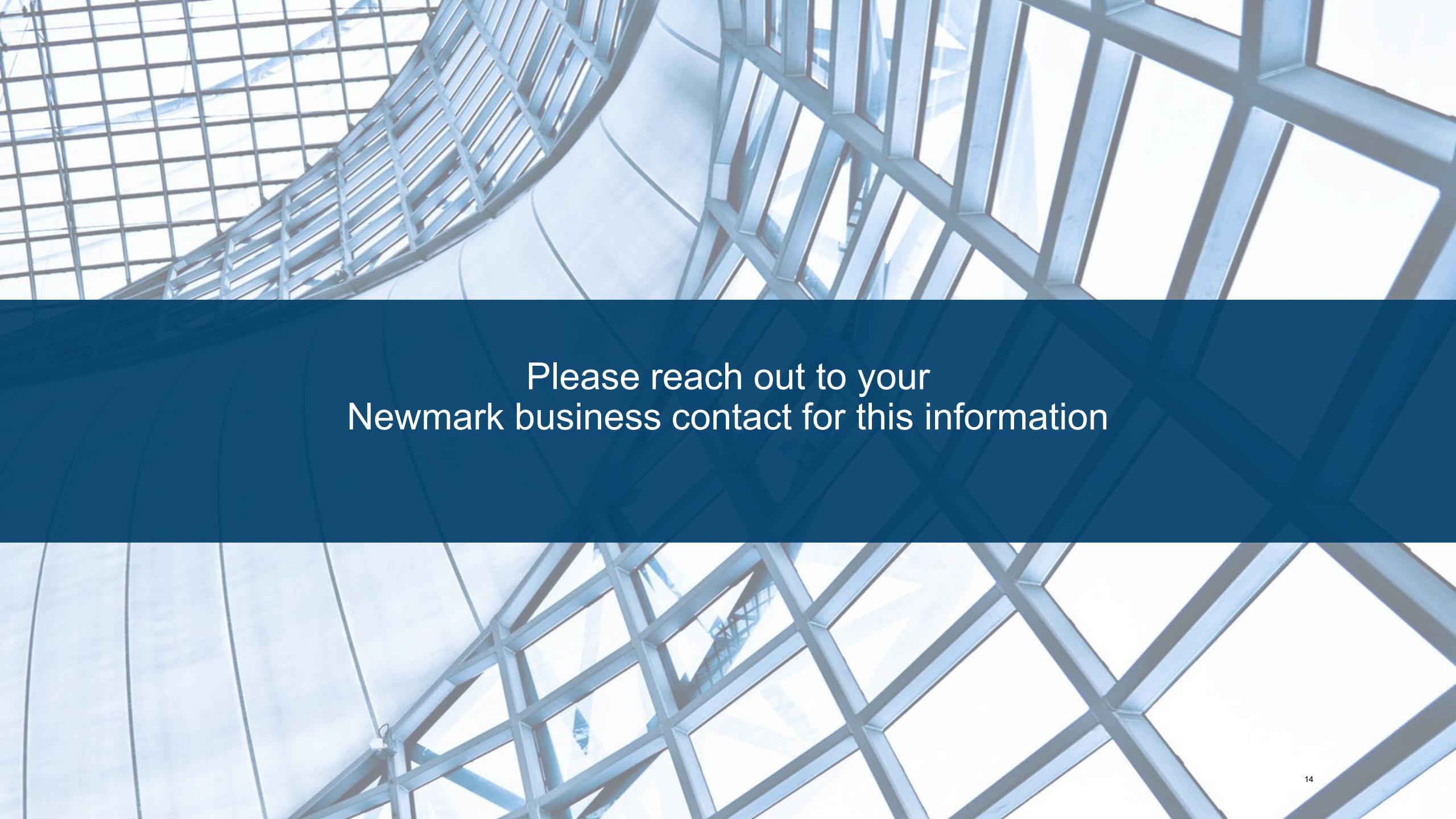
The Hampton Roads market experienced 1.2 million SF of leasing activity in 2025, including 300,000 SF of leasing activity during the fourth quarter of 2025, which is slightly below historical averages. The market's leasing activity has been impressively stable during recent years, seeing between 1.2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



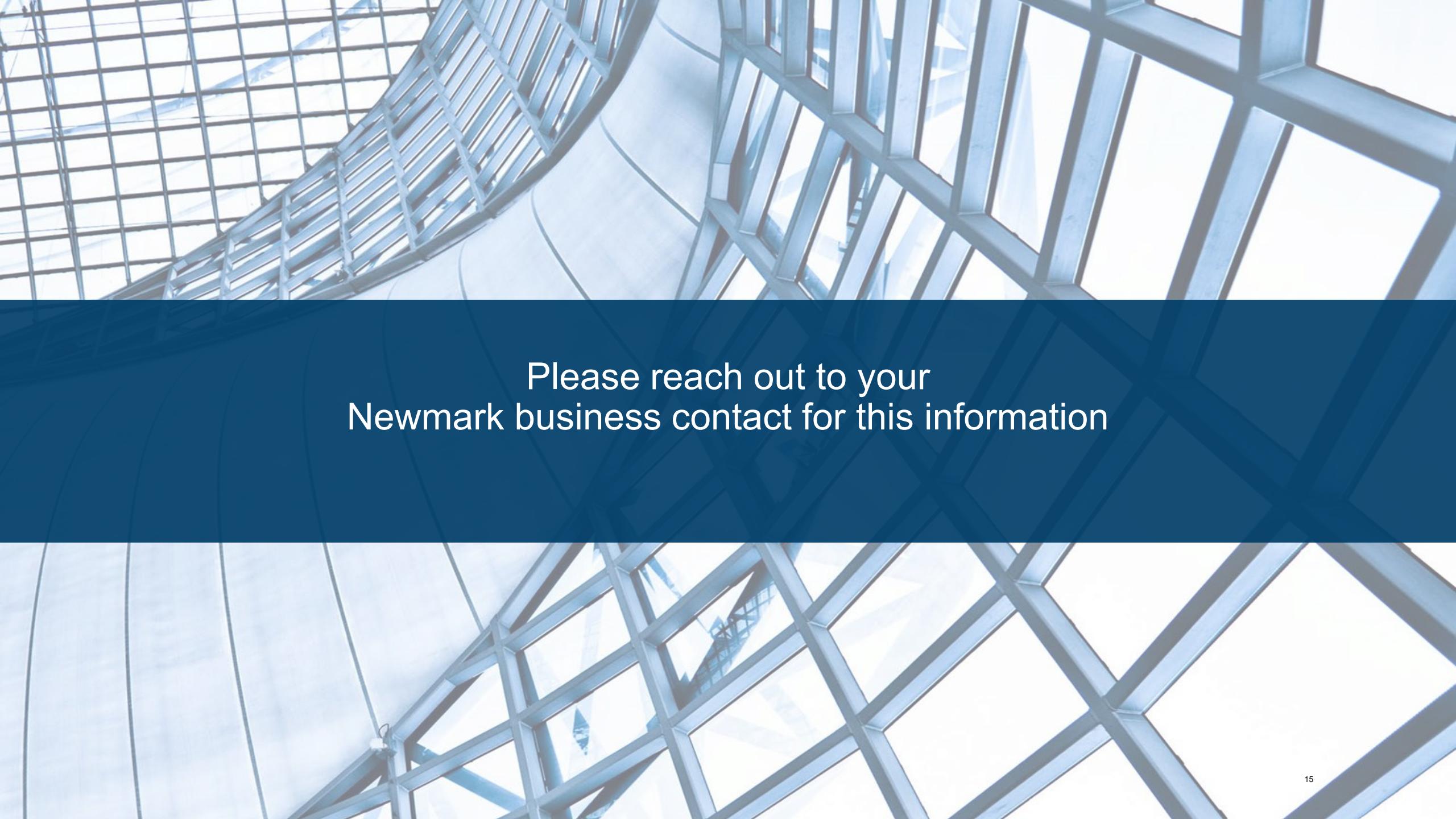
# Vacancy Contracts While Availability Remains Flat

Vacancy ended the fourth quarter of 2025 at 12.8%, tightening 40 basis points quarter-over-quarter, although expanding 110 basis points year-over-year. Vacancy initially expanded from 10.7% in 2020 to 12.9% in 2023. Since that point, the market's vacancy rate stabilized around 12.0% to 13.0%. Availability ended the year at 14.9%, tightening 50 basis points quarter-over-quarter, however remaining flat year-over-year. Direct available space ended the year at 14.3%, tightening 40 basis points quarter-over-quarter, while sublease available space followed suit by tightening 10 basis points quarter-over-quarter, ending the year at 0.6%. Hampton Roads is the tightest market in the country in terms of sublease availability rate.





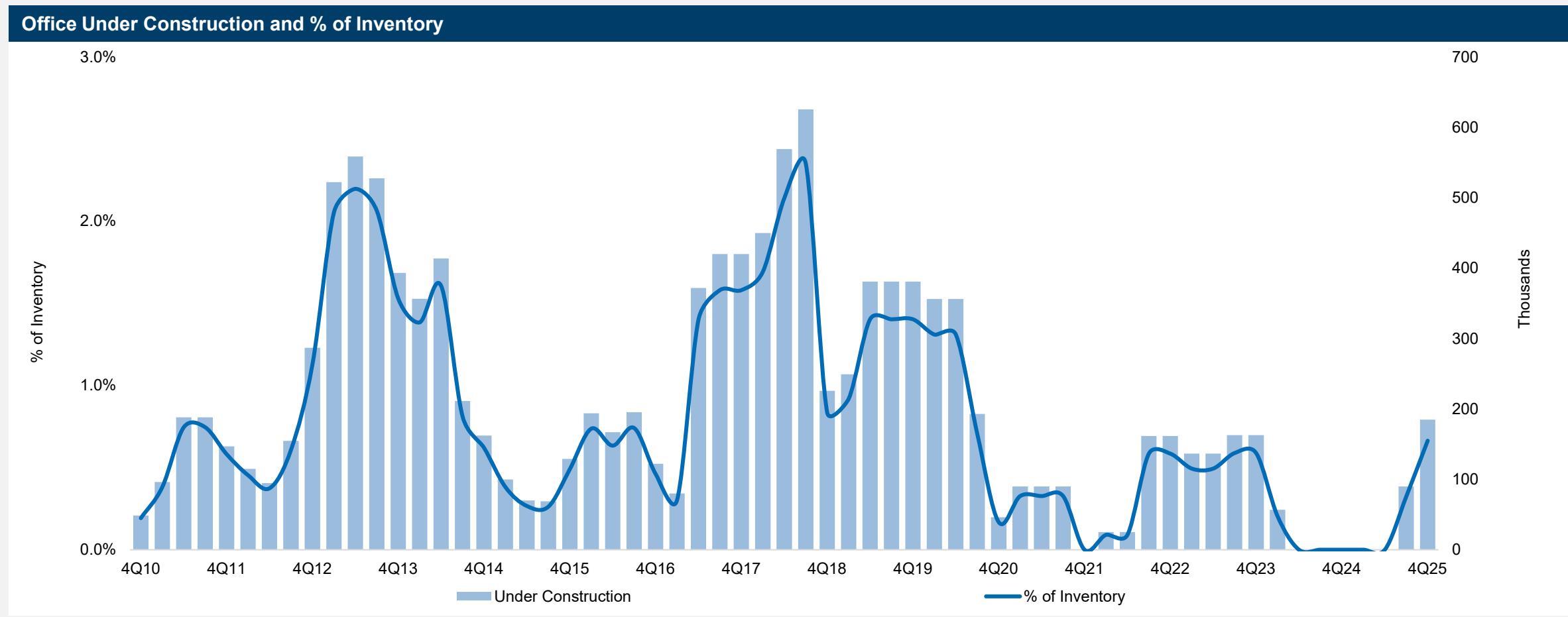
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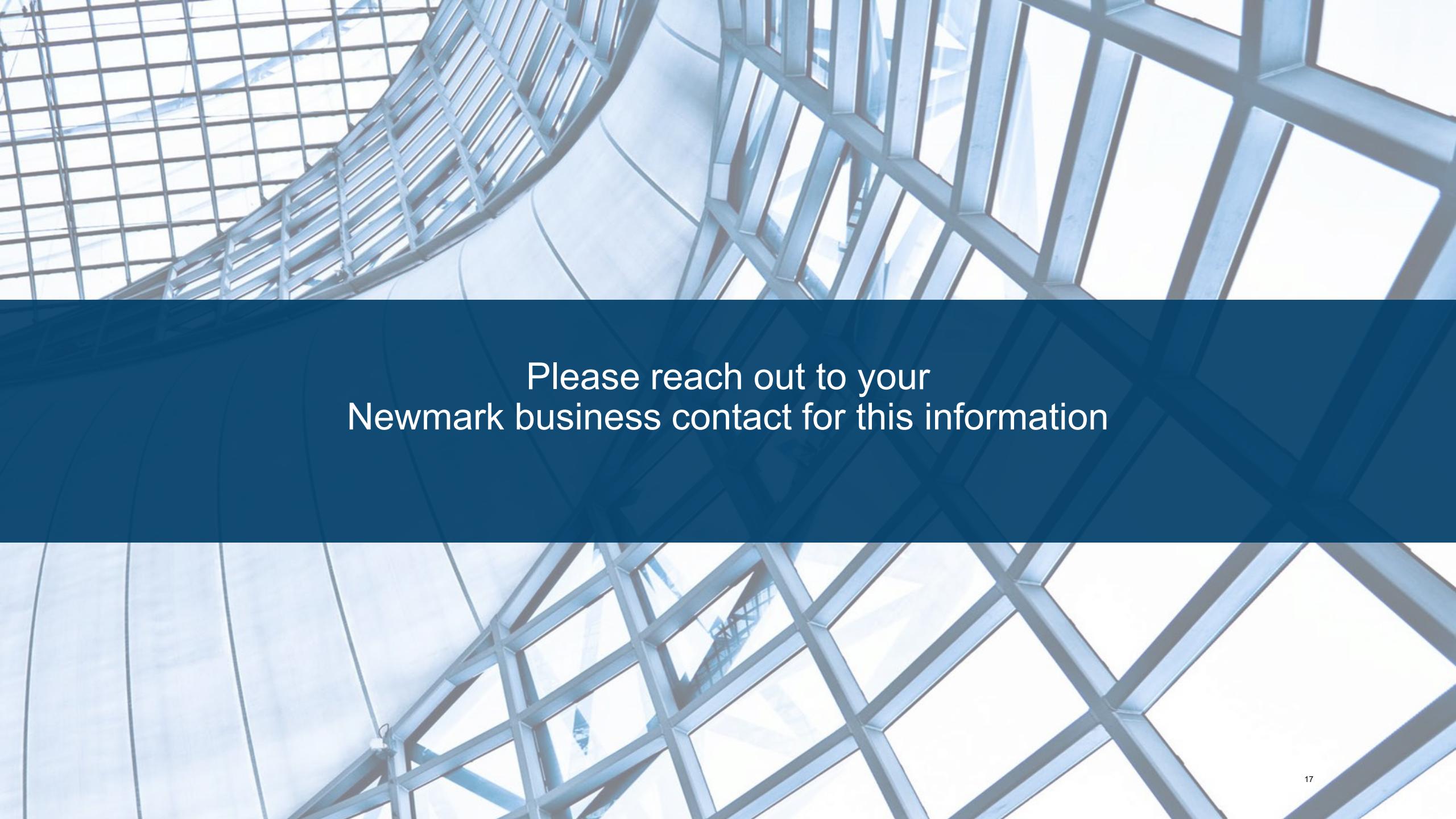


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# Construction Reaches Highest Level Since 2020

Four properties, totaling 184,700 SF, broke ground during 2025, leading to the most product under construction since the third quarter of 2020. All four 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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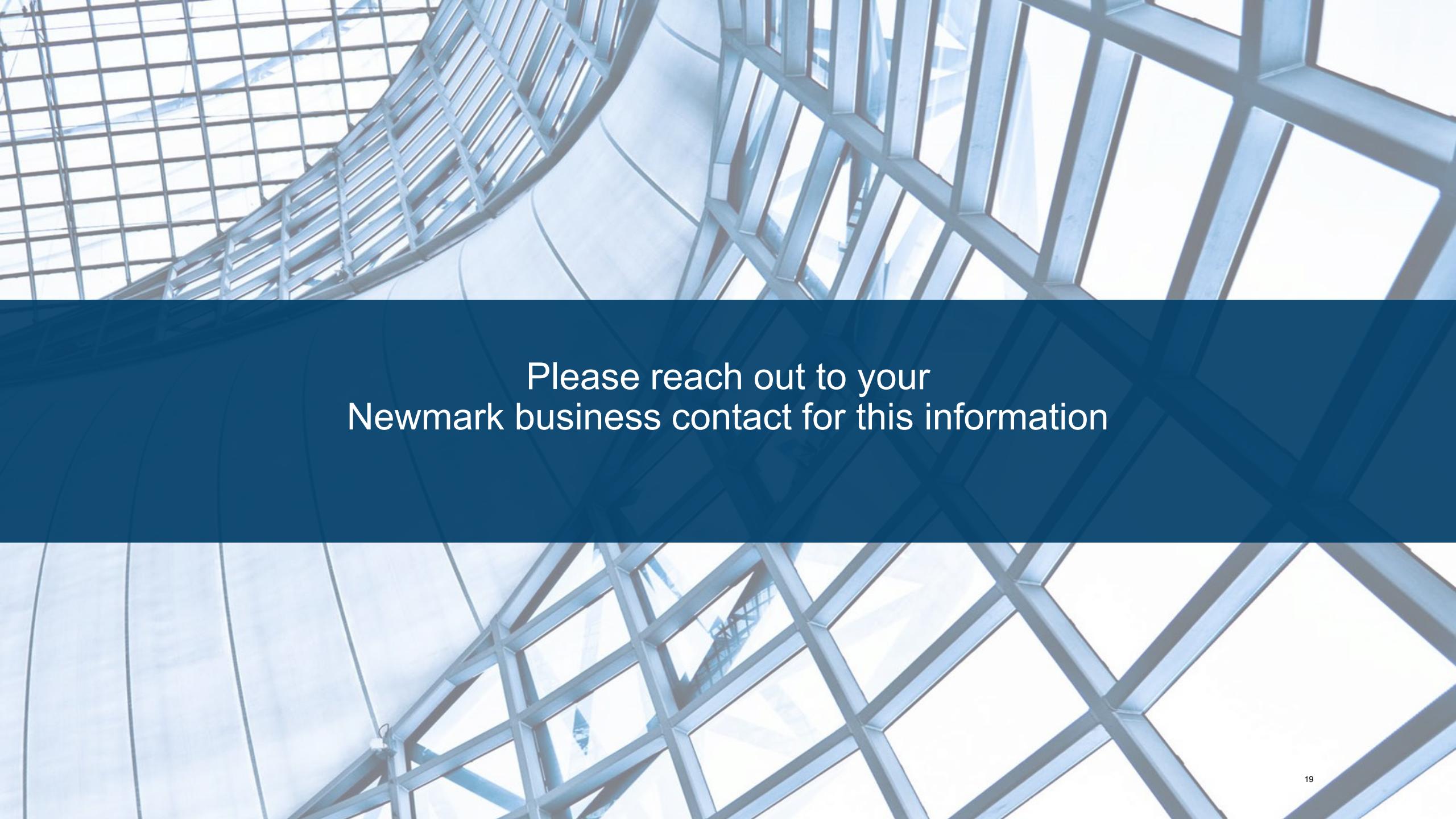
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## Market Statistics

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