

MARKET FUNDAMENTALS

	YOY Chg	Outlook
11.1% Vacancy Rate	▼	▼
-148K YTD Net Absorption, SF	▼	▲
\$23.43 Asking Rent, PSF (Overall, All Property Classes)	▲	▲

ECONOMIC INDICATORS

	YOY Chg	Outlook
826.7K Hampton Roads Employment	▼	▲
3.8% Hampton Roads Unemployment Rate	▲	▲
4.2% U.S. Unemployment Rate Source: BLS	▼	▲

ECONOMY: HII CONTRACT AWARDS

The Navy continues to award new contracts to HII and Newport News Shipbuilding, promising long-term job stability for the Hampton Roads region. The largest is a \$76.6 billion contract supporting construction of five Columbia-class and Virginia-class submarines, along with shipyard infrastructure. The Navy also recently awarded a \$5.1 billion contract for the refueling and complex overhaul (RCOH) of the nuclear-powered aircraft carrier USS Harry S. Truman (CVN 75). While that award is small relative to the Gerald R. Ford-class carrier contracts already underway in Newport News, it coincided with the Navy’s preliminary acceptance of the future USS John F. Kennedy (CVN 79) last week, and together this work ripples across every Hampton Roads real estate sector. Separately, the Navy announced a \$1.7 billion contract to renovate military housing across the region, including \$450 million for two new 17-story residential towers in Downtown Newport News.

MARKET REVIEW: WILL NEGATIVE ABSORPTION END?

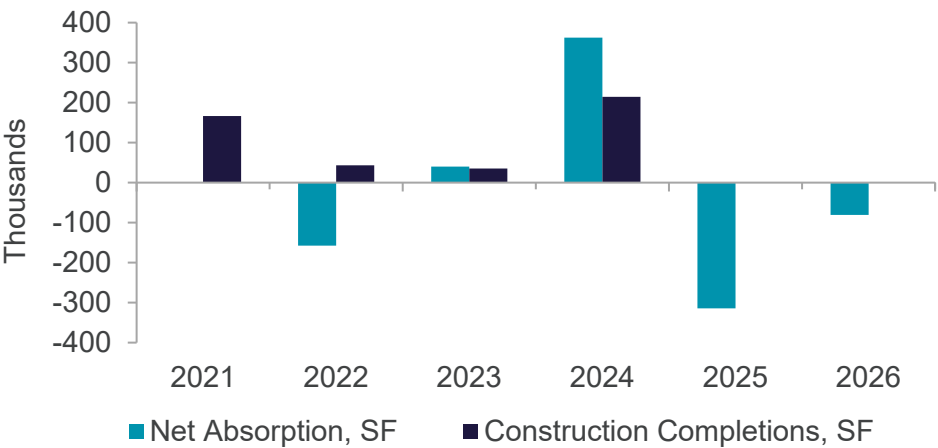
Although the HII contract awards boost local GDP and add jobs at Newport News Shipbuilding, the Hampton Roads civilian workforce shrank by nearly 17,000 workers over the past year. Unlike the industrial sector, the office sector has seen no added demand from these contracts, aside from a longer-term Southside consolidation requirement.

Several major stabilized office sales surfaced last quarter across three distinct product types. The sellers of 150 West Main, Downtown Norfolk’s healthiest and premier tower, had tested the market over the last couple of cycles before finally transacting last month at \$115 per square foot (psf), having acquired the asset in 2007 for nearly \$250 psf. Bridgeway Tech Center, a three-building Suffolk portfolio originally built for defense contractors and since stabilized by medical and service-oriented tenants, traded for \$122 psf, ending WM Jordan’s long-term ownership. Woodside Health entered the market by acquiring Nansemond River Medical Center for \$166 psf from former principals of its anchor tenant, Sports Medicine and Orthopedic Center. While none of these sales set a high-water mark, together they signal a return of stabilized office transactions as buyers and sellers move closer to the midpoint of the new norm.

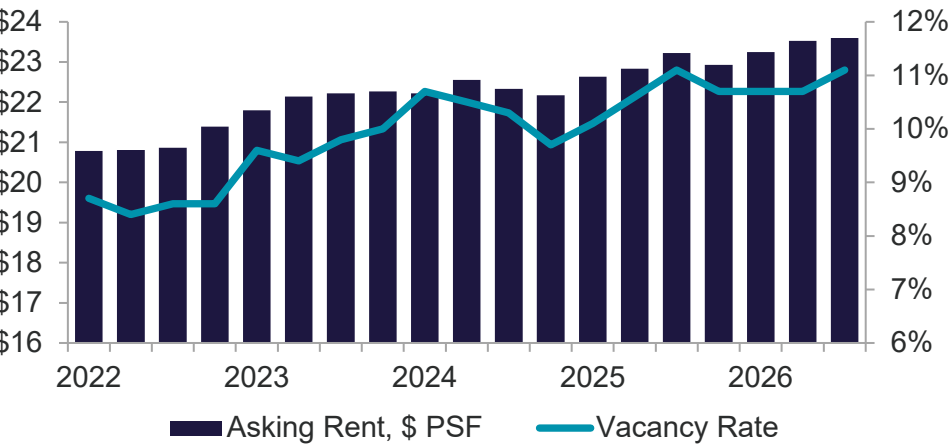
FORECAST: OPERATING EXPENSE AND TRANSACTION COST INCREASES

Office landlords continue to contend with rising operating expenses, driven by higher labor, rising utility and insurance costs and broader inflationary pressures. Tenant buildout costs also remain at record highs, reflecting both construction cost inflation and the expanded scope of post-pandemic office environments. As a result, rents will continue to rise despite sluggish negative absorption across Hampton Roads.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)**	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Chesapeake	4,343,544	623,021	45,646	15.4%	-38,794	-27,479	117,320	142,790	\$22.31	\$22.04
Gloucester	142,274	773	0	0.5%	0	0	0	0	N/A	N/A
Hampton	2,609,164	486,232	5,350	18.8%	-65,230	-53,835	35,848	0	\$18.14	\$16.87
Harbourview/Western Branch	1,207,693	28,633	23,696	4.3%	-214	-20,500	49,316	43,643	\$26.04	\$27.08
Newport News	5,583,091	581,855	6,452	10.5%	14,593	-12,802	101,920	0	\$23.11	\$25.98
Norfolk	7,673,481	1,051,441	28,080	14.1%	14,069	-41,831	195,501	0	\$25.20	\$26.78
Portsmouth	815,148	50,376	0	6.2%	-946	-20,347	17,152	0	\$20.10	N/A
Suffolk	664,833	13,138	0	2.0%	0	-27	0	0	N/A	N/A
Virginia Beach	9,558,280	791,514	51,411	8.8%	-68,805	88,292	438,539	0	\$24.22	\$27.67
Williamsburg	1,226,545	12,756	0	1.0%	-642	7,668	26,391	0	\$22.96	N/A
York	395,229	8,782	0	2.2%	-1,837	508	11,830	12,000	\$22.38	\$22.19
HAMPTON ROADS TOTALS	34,219,282	3,648,521	160,635	11.1%	-147,806	-80,353	993,817	198,433	\$23.43	\$25.57

*Rental rates reflect full service asking

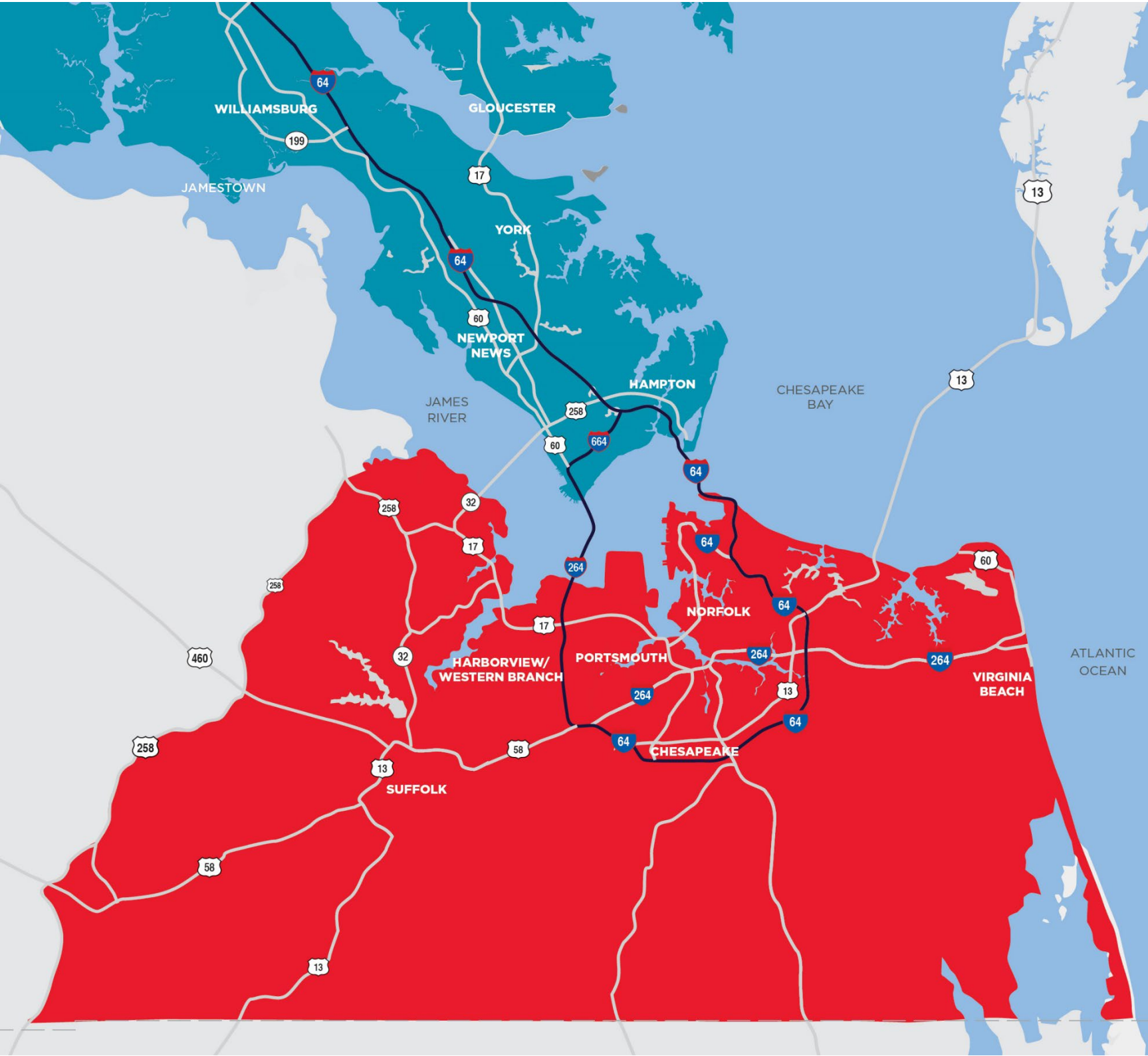
KEY LEASE TRANSACTIONS Q3 2026

PROPERTY	SUBMARKET	TENANT	SF	TYPE
440 Monticello Avenue	Norfolk	S.L. Nusbaum Realty Co.	35,620	Renewal
150 Granby Street	Norfolk	VA Port	25,025	New
860 Greenbrier Circle	Chesapeake	MI Technical Solutions	12,970	Renewal/Expansion
2809 S. Lynnhaven Road	Virginia Beach	SERCO	8,011	New

KEY SALE TRANSACTIONS Q3 2026

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
7007, 7021, 7025 Harbour View Boulevard	Harbourview	WM Jordan / John B. Levy & Company	260,176	\$31.6M / \$121
150 W. Main Street	Norfolk	Gate Petroleum / Kawa Capital Management	225,498	\$26M / \$115
150 Burnetts Way	Suffolk	Nansemond River Medical Center / Woodside Health	31,980	\$5.3M / \$166
840 First Colonial	Virginia Beach	Robert Zirpoli / 757 Endodontics	18,078	\$4.5M / \$249

OFFICE SUBMARKETS



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