



CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **2,017**

UNITS DELIVERED (YTD) **132**

MARKET FUNDAMENTALS



VACANCY RATE **4.6%**

YEAR-OVER-YEAR CHANGE **-120bps**

ASKING RENTS **\$1,743**

YEAR-OVER-YEAR CHANGE **+5.4%**

TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$125,300**

HAMPTON ROADS
MULTIFAMILY
Q2 2026

MARKET INSIGHTS

Fundamentals improve as new supply slows

HIGHLIGHTS

- Hampton Roads posted strong multifamily performance in the second quarter. A near halt in new deliveries has allowed accelerating renter demand to absorb existing vacancy, driving the market's strongest rent growth of the cycle.
- Vacancy fell 120 basis points year over year to 4.6% as year-to-date absorption of 1,770 units outpaced new supply. Improvement was broad-based, with all asset classes and nearly all submarkets posting occupancy increases.
- Asking rents rose 2.3% during the quarter and 5.6% in the past year to \$1,743 per month, the fastest pace of growth since 2022.
- Year-to-date sales volume was down 23% from the prior year, with the median sale price falling to \$125,300 per unit. Rapid rent growth has allowed cap rates to generally hold steady, averaging in the mid-5% range for Class A properties and closer to 6% for Class B and Class C communities.

HAMPTON ROADS MULTIFAMILY MARKET OVERVIEW

Hampton Roads is posting strengthening multifamily operating fundamentals despite a challenging employment environment. Payrolls have contracted over the past year, with federal workforce reductions weighing on a market historically anchored by government employment. Even so, vacancy has tightened sharply and rent growth has accelerated to its fastest pace since 2022. The primary driver has been a rapid slowdown in new supply. Following a wave of deliveries in 2024 and 2025, multifamily completions have nearly stalled in 2026, while renter demand has persisted. As a result, year-to-date absorption has exceeded new deliveries, allowing the market to work through recent supply additions without a meaningful influx of new competition.

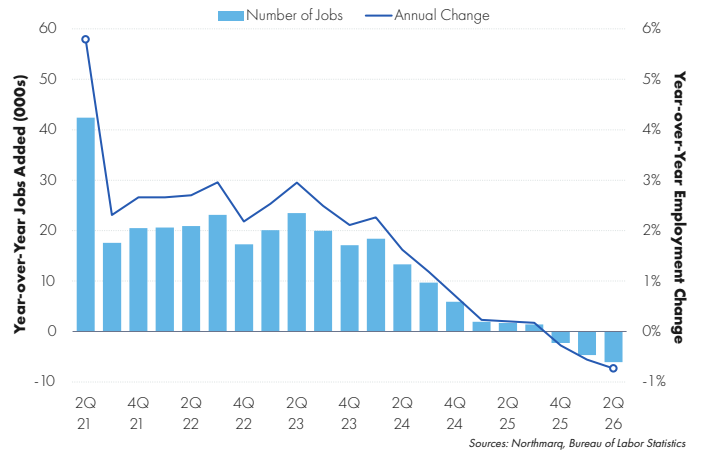
The Hampton Roads investment market has slowed in 2026. Transaction counts and dollar volume have moderated year to date, while the median price per unit has declined from 2025. Nearly all year-to-date sales have involved lower-tier assets, with upper-tier product largely absent from trades despite historically accounting for a larger share.

EMPLOYMENT

- During the past year, total employment in Hampton Roads fell by 6,100 positions, a 0.7% decline. Federal workforce reductions have had an outsized impact on Hampton Roads.
- The manufacturing sector experienced the largest decline, with employment falling 5.3% year over year, a loss of 3,000 jobs. Health care and social assistance helped offset those losses, adding 1,700 positions during the past year, a 1.6% increase.
- Hampton Roads is home to one of the highest concentrations of military bases and shipbuilders in the U.S. The \$900 billion fiscal year 2026 defense budget includes pay increases for service members and expanded investment in domestic shipbuilding. The majority of Navy warships included in the defense budget will be built in Hampton Roads and delivered for commissioning at Naval Station Norfolk.
- **FORECAST:** Employers in the Hampton Roads area are expected to add 2,500 jobs by the end of 2026, expanding employment by 0.3% for the full year. This follows net losses recorded in 2025.

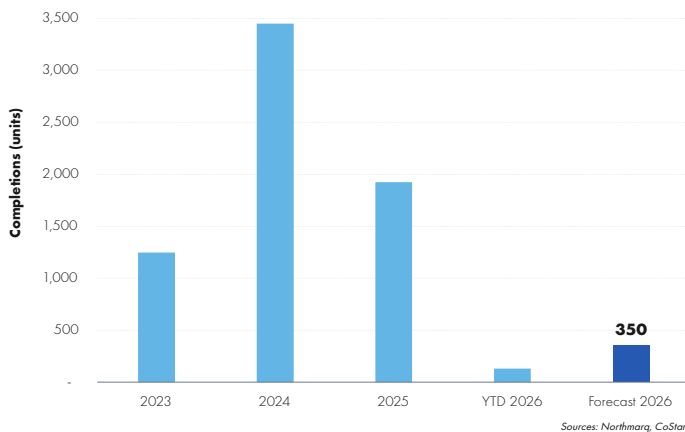
Health care and social assistance added 1,700 positions.

EMPLOYMENT OVERVIEW



Only 132 units have been delivered year to date.

DEVELOPMENT TRENDS

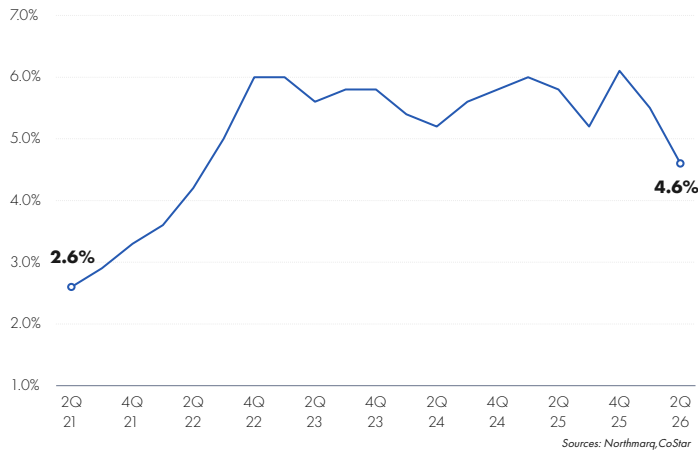


DEVELOPMENT & PERMITTING

- After delivering more than 1,900 units in 2025, multifamily developers significantly reduced completions in 2026, with only 132 units delivered year to date.
- Projects currently underway total roughly 2,000 units, up 23% from the same period last year. The majority of these units are scheduled for delivery in the second half of 2027.
- While completions have slowed dramatically in 2026, permitting activity has accelerated in recent months. Permits have been issued for approximately 1,500 multifamily units year to date, about three times the level recorded a year earlier.
- **FORECAST:** Deliveries for the full year are expected to total roughly 350 units, reflecting a sharp slowdown in completions. The temporary pullback in supply should support occupancy gains and rent growth through 2027.

Vacancy declined 120 basis points year over year.

VACANCY TRENDS



VACANCY

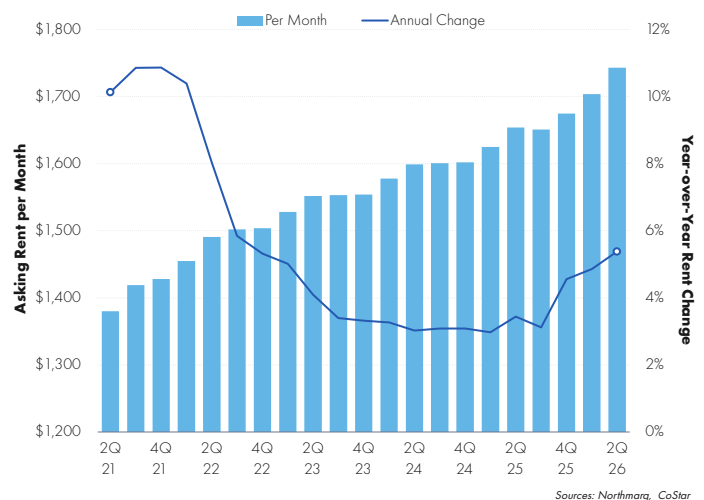
- Vacancy declined to 4.6% in the second quarter, down 90 basis points from the first quarter and 120 basis points year over year.
- Nearly every submarket across the Hampton Roads area recorded improvements in vacancy. The Norfolk submarket vacancy rate improved 200 basis points year over year to 3.2%. The vacancy rate in Chesapeake decreased 210 basis points in the same timeframe to 4.2%.
- Year-to-date absorption of 1,770 units has already exceeded the full-year average of 1,390 units over the trailing five years.
- FORECAST:** With the market expected to record minimal additions to supply, vacancies should remain near current levels. The vacancy rate is expected to end 2026 at 4.5%, the lowest figure since 2022.

RENTS

- During the second quarter, Hampton Roads rent growth reached its highest rate since 2022 on both a quarterly and annual basis. Average asking rents rose by 2.3% quarter over quarter and 5.4% year over year to \$1,743 per month.
- Virginia Beach, which represents approximately 30% of the area inventory, recorded 6.3% annual rent growth, lifting rents to \$1,878 per month. Chesapeake posted the market's highest rent growth of 6.5%, with rents reaching \$1,965 per month.
- Rent growth was broadly consistent across asset classes. Class A units increased 5.5% year over year to \$2,110 per month. Class C assets recorded 5.4% rent growth, with asking rents rising to \$1,429 per month.
- FORECAST:** Multifamily rents are projected to increase 4.7% in 2026, with average rents reaching \$1,750 per month. Market conditions should support continued rent growth through 2027.

Asking rents reached their highest growth rate since 2022.

RENTS TRENDS

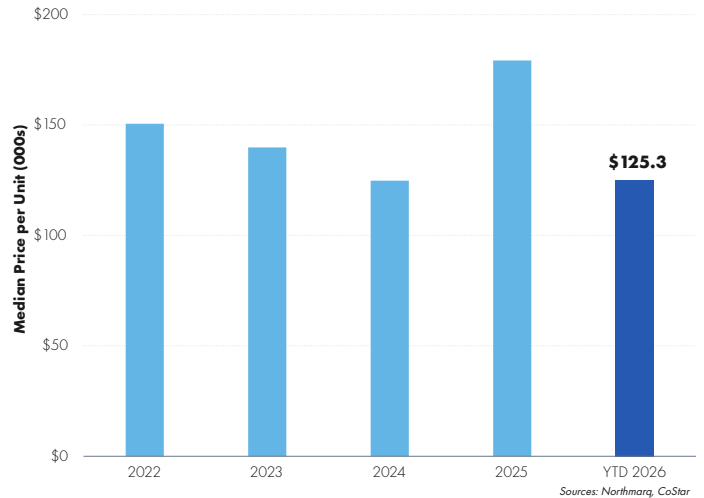


MULTIFAMILY SALES

- The median price in sales that closed in the first half of this year was \$125,300 per unit. In the few Class A properties that have traded, prices are around \$300,000 per unit. Class C properties accounted for the bulk of the sales, and the median price for these assets was approximately \$102,000 per unit.
- In addition to lower transaction volume, sales activity has become increasingly concentrated in lower-quality assets. Class B and Class C properties accounted for nearly all year-to-date transactions, with only two Class A assets trading in 2026. By comparison, Class B and Class C properties represented an average of 33% and 50% of annual sales volume, respectively, over the past five years.
- Transaction activity was relatively evenly distributed across major submarkets, though Norfolk and Newport News recorded slightly more trades than their peers.
- Cap rates have generally begun in the mid-5% range for top-tier properties and approached or exceeded 6% in lower-tier assets.

The year-to-date median sale price is \$125,300 per unit.

INVESTMENT TRENDS



RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

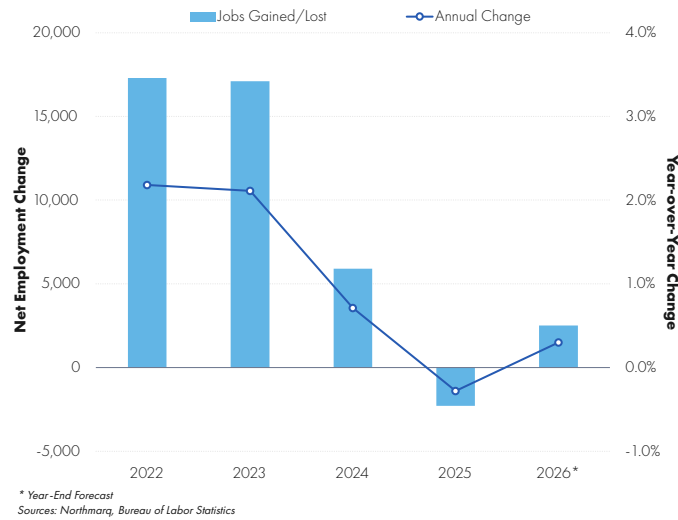
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
Allure at Edinburgh	249 Allure Lane, Chesapeake	2024	280	\$91,800,000	\$327,857
Royal Pointe	1749 Lacrosse Drive, Virginia Beach	1987	208	\$39,500,000	\$189,904
Turlington Oaks	414 Turlington Road, Newport News	1974	272	\$28,260,000	\$103,897
River Oaks Apartments	1464 Gabriel Drive, Norfolk	1975	100	\$10,000,000	\$100,000
Royal Oaks Apartments	7737 Harrison Road, Norfolk	1987	114	\$8,650,000	\$75,877

LOOKING AHEAD

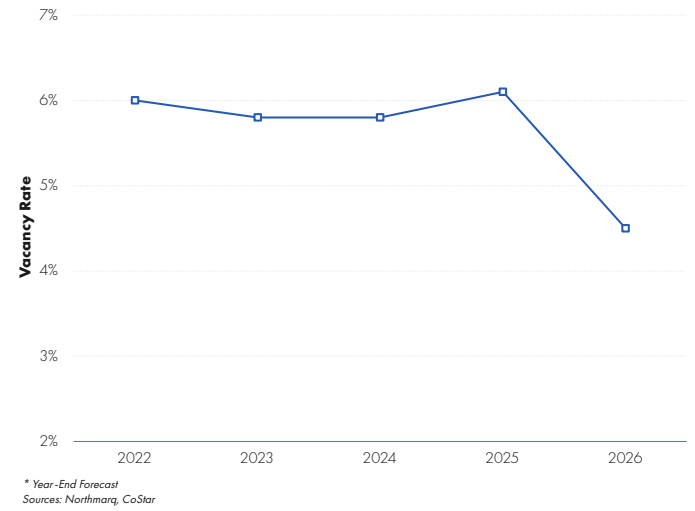
This year will mark a period of very low supply growth in Hampton Roads, allowing for a steep decline in area vacancies and above-trend rent growth. These conditions are expected to persist for a few more quarters, but developers are on pace to begin bringing new supply into the market in the near future. Roughly 2,000 units are currently under construction, with the bulk scheduled to arrive in the second half of 2027, and permitting activity has begun to bounce back after a period of low issuance. Fewer deliveries in the near term are expected to support current vacancy and rent levels.

The first half of this year marked a period where investment activity was dominated by older, Class C assets with a few newer Class A properties mixed in. Class C properties have historically accounted for the bulk of the transactions in the region and should continue to attract investors, particularly as rents trend higher. Much of the region's Class A inventory was delivered between 2023 and 2025, creating potential acquisition opportunities.

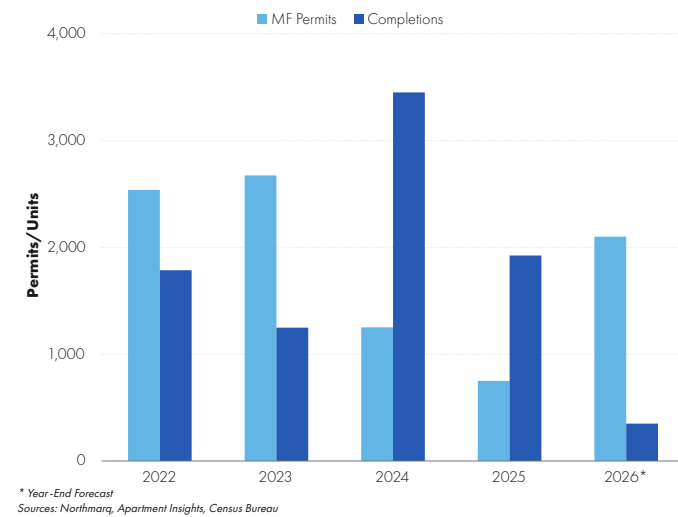
EMPLOYMENT FORECAST



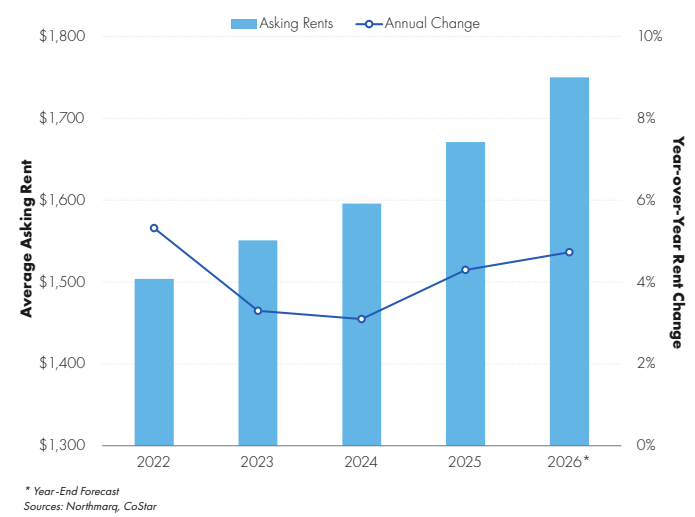
VACANCY FORECAST



CONSTRUCTION & PERMITTING FORECAST



RENTS FORECAST





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