

CONSTRUCTION
ACTIVITY



UNDER CONSTRUCTION **2,545**

UNITS DELIVERED (YTD) **1,044**

MARKET
FUNDAMENTALS



VACANCY RATE **5.2%**

YEAR-OVER-YEAR CHANGE **-40bps**

ASKING RENTS **\$1,651**

YEAR-OVER-YEAR CHANGE **+3.1%**

TRANSACTION
ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$161,500**

HAMPTON ROADS
MULTIFAMILY
Q3 2025

MARKET INSIGHTS

Declining vacancy fuels continued rent growth

HIGHLIGHTS

- Operating fundamentals remained strong in Hampton Roads during the third quarter, supported by declining vacancy, continued solid rent growth, and a shrinking construction pipeline.
- Consistent renter demand has driven rapid absorption of the increased supply delivered in 2024 and 2025. As a result, vacancy declined 40 basis points annually, reaching 5.2% in the third quarter.
- Average asking rents increased 0.4% during the third quarter to \$1,651 per month. Rent growth accelerated to 3.1% year over year, while over the past five years, rents have posted an average annual growth rate of 5.1%.
- The year-to-date median sale price increased 30% from 2024 to \$161,500 per unit. Cap rates have remained in a 5.25% to 5.5% range, with transaction activity distributed across major submarkets.

HAMPTON ROADS MULTIFAMILY MARKET OVERVIEW

Fundamentals strengthened in the third quarter as the elevated levels of new supply continued to be absorbed at a steady pace. Vacancy tightened during the third quarter, and the rate has improved by 40 basis points year over year. With renter demand for units elevated and vacancies improving, rents continue to post healthy gains. Average asking rents topped \$1,650 per month in the third quarter, after advancing by more than 3.0% annually. Longer term, gains have been more significant; during the past five years, rents across the region have increased at an average rate of 5.1% per year. Development of new units is down from the peak levels recorded in 2024, and a less active permitting environment suggests further slowing in the coming years.

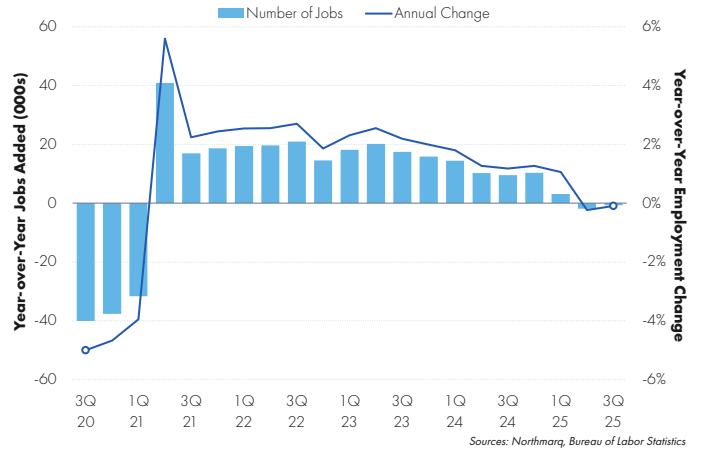
Investor appetite strengthened alongside improving operating metrics. Year-to-date sales volume reached \$650 million across more than 20 multifamily transactions, both sharp increases from the same period in 2024. A surge in larger transactions reflects heightened investor interest and is impacting pricing levels. The median sale price advanced 30% over 2024 to \$161,500 per unit, with deal flow relatively balanced across Chesapeake, Newport News, Norfolk City, and Virginia Beach. Cap rates remained in a tight 5.25% to 5.5% range, with Class A deals generally trading near the lower end and Class B and Class C assets clustering closer to 5.5%, signaling continued competition for well-located, stabilized communities.

EMPLOYMENT

- Employment in Hampton Roads continued to post sluggish performance. Employers downsized by roughly 700 positions annually, representing a 0.1% decline from the prior year.
- The local manufacturing sector recorded an annual loss of 3,200 jobs, although these cuts were offset by gains in other sectors. Employers in the healthcare and social assistance sector added 3,400 positions during the past year, while hospitality employment expanded by 1,800 positions.
- LS Cable & System, a global cable manufacturing company, announced plans to invest \$689 million and create 430 new jobs in Chesapeake. The expansion will enhance domestic supply chains for critical manufacturing and is the largest single capital investment in Hampton Roads history.
- **FORECAST:** The local job market is forecast to add roughly 5,000 jobs in 2025, representing a gain of 0.1%.

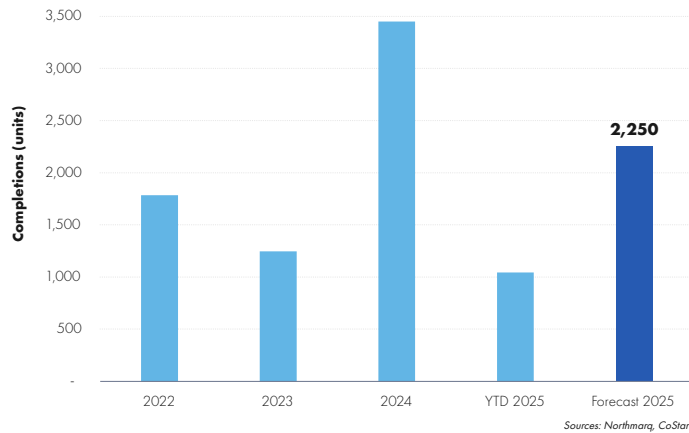
Annually, healthcare and social assistance added 3,400 positions.

EMPLOYMENT OVERVIEW



Year-to-date deliveries total 1,044 units.

DEVELOPMENT TRENDS

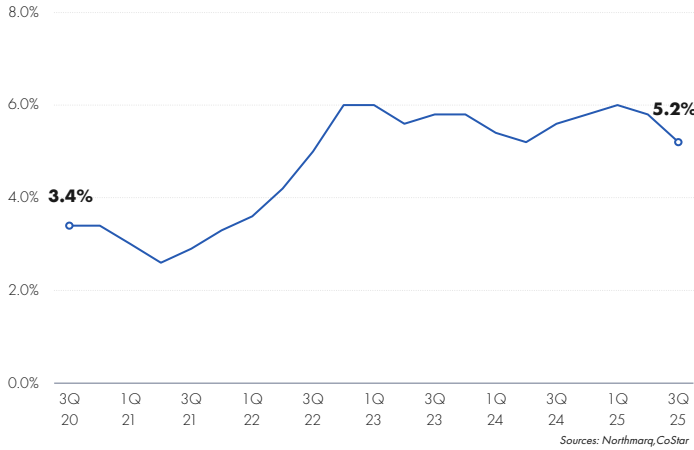


DEVELOPMENT & PERMITTING

- Following the delivery of 3,500 units in 2024, multifamily developers have slowed new deliveries in 2025, completing just 1,044 units year to date. Roughly 1,250 units are scheduled for delivery during the fourth quarter.
- Projects currently under construction total 2,545 units. This figure is expected to decline to about 1,500 units after projects deliver in the final few months of this year.
- Multifamily permitting activity has slowed significantly during the past 24 months. Permits for fewer than 600 multifamily units have been pulled year to date through the third quarter, a 70% reduction from the same timeframe in 2023.
- **FORECAST:** Deliveries are expected to total about 2,250 units, reflecting a downward trend in construction activity across Hampton Roads. This pullback in supply is likely to support improving occupancy and rent growth over the next 12 to 18 months.

Vacancy declined to 5.2%, down 40 basis points year over year.

VACANCY TRENDS



VACANCY

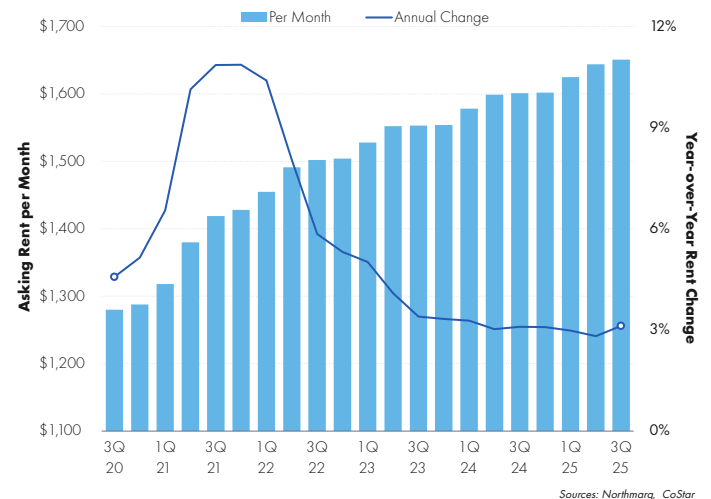
- Renter demand remained strong in Hampton Roads, driving healthy absorption and a rapid lease-up at new multifamily developments. As a result, vacancy declined to 5.2% in the third quarter, down 40 basis points year over year.
- Norfolk City performed well, with vacancy improving 40 basis points year over year to 4.4%. In contrast, Chesapeake’s vacancy increased 70 basis points to 5.0%.
- Year to date, absorption of 1,950 units outpaced the 1,040 units newly delivered. This indicates that there is continued demand for new Class A construction.
- **FORECAST:** By year-end 2025, vacancy is expected to decline to 5.2%, down 40 basis points from 2024. Strong demand is expected to continue absorbing new units throughout the remainder of the current supply growth cycle.

RENTS

- Rents continued to gain ground in the third quarter. Asking rents rose 3.1% year over year to \$1,651 per month.
- The Suffolk submarket recorded the highest annual rent growth at 4.6%, reaching \$1,892 per month. York County has the highest asking rents, averaging \$1,963 per month, but also posted the slowest rent growth among submarkets at 2.4% year over year.
- Across asset classes, Class C units saw the highest annual rent growth at 3.5%, with average rents reaching \$1,354 per month. Class A assets recorded 2.6% growth, with average rents rising to \$1,993 per month.
- **FORECAST:** By the end of 2025, multifamily rents are expected to grow 3.8% annually, with average rents reaching \$1,657 per month. As new Class A units are added to the inventory mix, Hampton Roads rent growth is anticipated to continue outperforming the national average.

Average rents rose 3.1% year over year.

RENTS TRENDS

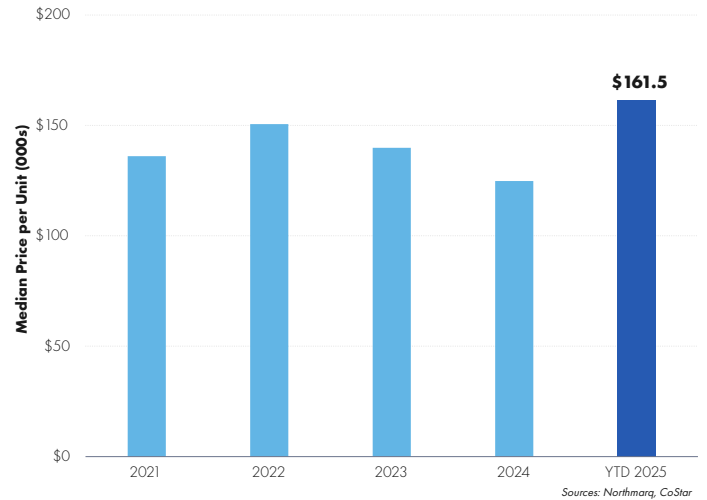


MULTIFAMILY SALES

- The median sale price in 2025 increased 30% from last year to \$161,500 per unit. Year-to-date sales volume reached \$650 million, nearly doubling the activity levels from the same period in 2024.
- Transaction volume was distributed across major submarkets including Chesapeake, Newport News, Norfolk City, and Virginia Beach.
- Cap rates have remained in a range of 5.25% to 5.5% through 2025. Class A properties generally reside at the lower end of the range around 5.25%, while Class B and Class C assets typically trade closer to 5.5%, depending on deal specifics.

The median sale price in 2025 is \$161,500 per unit.

INVESTMENT TRENDS



RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

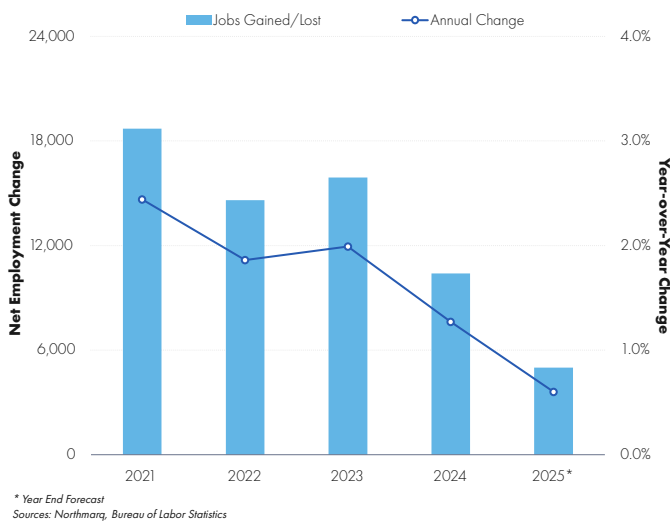
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
Latitudes Apartments	1701 Chase Pointe Cir., Virginia Beach	1989	448	\$102,000,000	\$227,679
Parkway Apartments	416 Merrimac Trl., Williamsburg	1974	148	\$24,675,000	\$166,723
MacDonald Manor	1331 Macdonald Road, Chesapeake	1972	152	\$14,320,000	\$94,211
City Lofts of Williamsburg	1406 Richmond Road, Williamsburg	1986	90	\$13,725,000	\$152,500
Villa Terrace	2804 Waverly Way, Norfolk	1970	82	\$3,900,000	\$47,561

LOOKING AHEAD

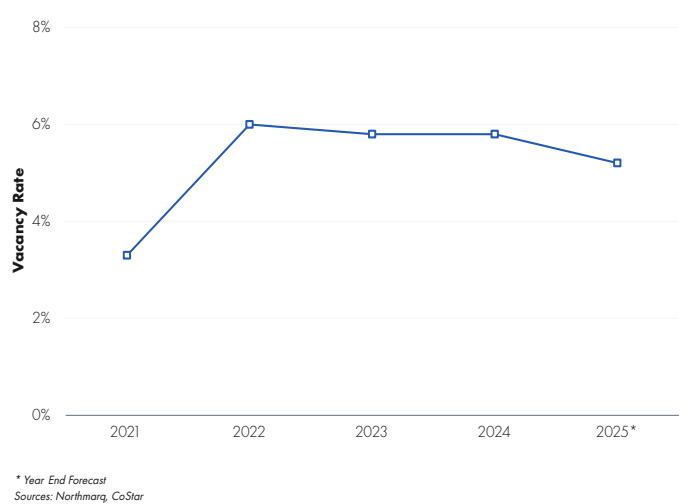
Looking into 2026, operating conditions are expected to improve as the development pipeline cools. Following a 2024 surge, 2025 deliveries are projected to total about 2,250 units, while permitting has already declined, limiting incremental supply pressure through 2026. With construction projected to decrease significantly, the market is positioned for firmer occupancy. Vacancy is forecast to settle around 5.2% by the end of 2025, and continued absorption of recent Class A deliveries should keep vacancies in the top tier similar to current levels. Rent growth is expected to finish 2025 with a healthy rise, and a tighter new-supply backdrop should help Hampton Roads maintain rent gains above the national pace into 2026.

Sales momentum is expected to carry into 2026. With median pricing rising sharply in 2025 and cap rates generally ranging between about 5.25% and 5.5%, buyers are likely to target assets where net operating income growth can be captured through lease-up, mark-to-market rent, or operational efficiencies. Assuming vacancy holds near the low-to-mid 5% range and rent growth stays positive, Hampton Roads should continue attracting capital seeking durable, coastal markets with demonstrated demand. Transaction volume is expected to remain steady, and the market's ongoing ability to clear institutional-size deals highlights a healthy appetite for best-in-class properties as well as value-add plays.

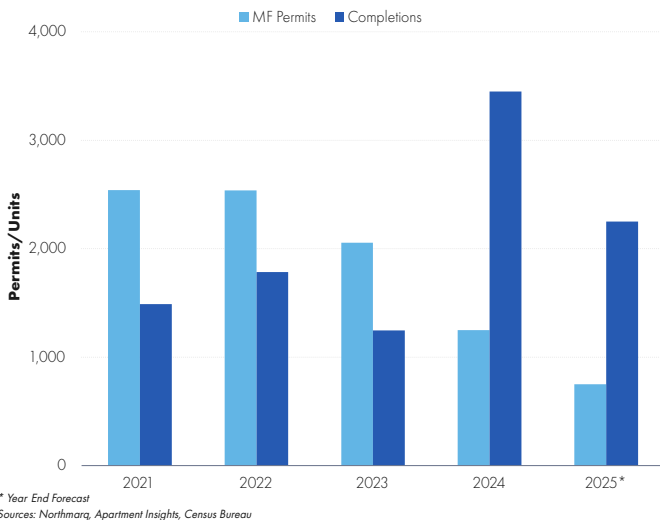
EMPLOYMENT FORECAST



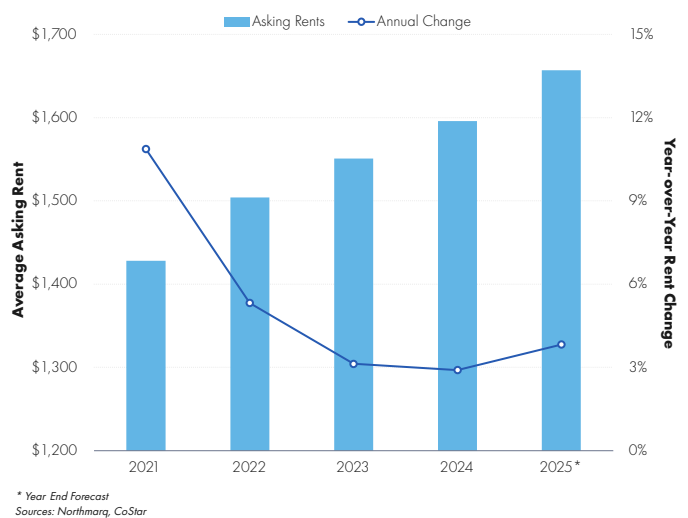
VACANCY FORECAST



CONSTRUCTION & PERMITTING FORECAST



RENTS FORECAST





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