



MARKET ASSESSMENT FINDINGS

ITA and Vicinity Master Plan Update

City of Virginia Beach | April 3, 2026



VISION
ECONOMICS
STRATEGY
FINANCE
IMPLEMENTATION

INTRODUCTION

SB Friedman prepared a market assessment to support future land use recommendations in the ITA

- SB Friedman Development Advisors, LLC (SB Friedman) was engaged in December 2025 by Dills Architects to support an update of the Interfacility Traffic Area (ITA) and Vicinity Master Plan, initially completed in 2011, and updated in 2017.
- The ITA is an overlay zoning district to address land use compatibility issues associated with the military jet flight patterns in this part of Virginia Beach. Most of the land within the ITA is City-owned, though net developable area is limited given restrictions on development associated with the overlapping Air Installation Compatibility Use Zones (AICUZ).
- The purpose of the plan update is to analyze different land use scenarios for the ITA (the "Study Area"), with a focus on market and fiscal viability.
- To support the plan update, SB Friedman prepared a high-level market assessment for industrial, retail, hotel and medical office uses in the ITA. As part of this work, SB Friedman evaluated historic and projected employment growth, analyzed local and regional real estate development patterns, and interviewed real estate and economic development professionals to support future land use recommendations in the ITA.



ECONOMIC CLUSTERS

Regional economies consist of traded (primary) and local (secondary) clusters

Regional economies can be categorized into economic clusters or industry groups. A cluster is a regional concentration of related industries. Regional economies are made up of two types of clusters, each with different patterns of geographic presence and different competitive dynamics.

- Traded clusters, also known as primary job clusters, are groups of related industries that export products/serve markets beyond the region in which they are located. Since primary clusters compete in cross-regional markets, they are exposed to competition from other regions. Typically, approximately 30% of jobs in a geography are within primary clusters.
 - Examples: Business Services, Financial Services, Hospitality & Tourism, Manufacturing, Transportation & Warehousing
- Local clusters, also known as secondary job clusters, consist of industries that serve the local market. They are found in every region of the country, regardless of the competitive position of a particular location. A region's employment in secondary clusters is usually proportional to the population of that region.
 - Examples: Local Government, Real Estate, Schools & Hospitals

Location quotients (LQ) quantify the specialization of a region's industry compared to national employment averages. High location quotients are typically indicative of high-export businesses. Of the largest industry clusters, Virginia Beach has the highest employment concentrations and specializations within the following sectors:

- Metalworking Technology (LQ = 5.43)
- Federal Government Services (LQ = 4.39)
- Engineering Services (LQ = 2.74)

Lightcast, a labor market data provider, projects 10-year employment growth by industry for each county in the United States. These projections are based on Lightcast's reconciliation of historic, local employment trends with projected national and state employment projections. The following section shows Lightcast's industry projections for Virginia Beach.

HISTORIC & PROJECTED MAJOR TRADED CLUSTER GROWTH

Hospitality & Tourism and Federal Government Services are the two largest clusters in Virginia Beach

- Hospitality & Tourism and Federal Government Services are major employers in Virginia Beach with strong location quotients. Employment for Hospitality & Tourism is expected to decrease, due to projected declines in hotel, limited-service restaurants, and souvenir and gift shop employment, coupled with relatively limited growth in other sectors. However, Federal Government Services employment, including both military and civilian positions, are projected to grow by 2035.
- Generally, growth in the last 10 years is greater than projected job growth over the next 10 years.

TOP TEN TRADED CLUSTERS IN VIRGINIA BEACH

	Location Quotient, 2025	Employment, 2015	Employment, 2025	Employment, 2035 Projected	Employment CAGR, 2015-2025	Employment CAGR, 2025-2035	Average Wage, 2024
Hospitality & Tourism	1.4	27,501	29,117	28,569	0.57%	-0.19%	\$30,300
Federal Government Services	4.4	24,531	27,208	27,854	1.04%	0.24%	\$86,400
Business Services	0.9	6,124	7,110	7,258	1.50%	0.21%	\$99,900
Healthcare	0.6	3,792	6,206	7,042	5.05%	1.27%	\$90,200
Engineering Services	2.7	2,535	4,066	4,233	4.84%	0.41%	\$129,300
Education & Knowledge Creation	0.5	4,323	3,448	3,225	-2.24%	-0.67%	\$53,600
Information Technology	0.7	3,202	3,235	3,290	0.10%	0.17%	\$119,900
Insurance Services	1.7	3,222	3,107	2,698	-0.36%	-1.40%	\$99,800
Metalworking Technology	5.4	1,978	3,001	3,348	4.26%	1.10%	\$95,200
Distribution & Electronic Commerce	0.3	2,607	2,136	1,860	-1.97%	-1.37%	\$97,500

TOURISM & ENTERTAINMENT	KNOWLEDGE, RESEARCH & HEALTHCARE	PROFESSIONAL BUSINESS & CONSUMER SERVICES	TRANSPORTATION, WAREHOUSING & UTILITIES	MANUFACTURING	FEDERAL, STATE & LOCAL GOVERNMENT	INFORMATION TECHNOLOGY	RETAIL GOODS & SERVICES
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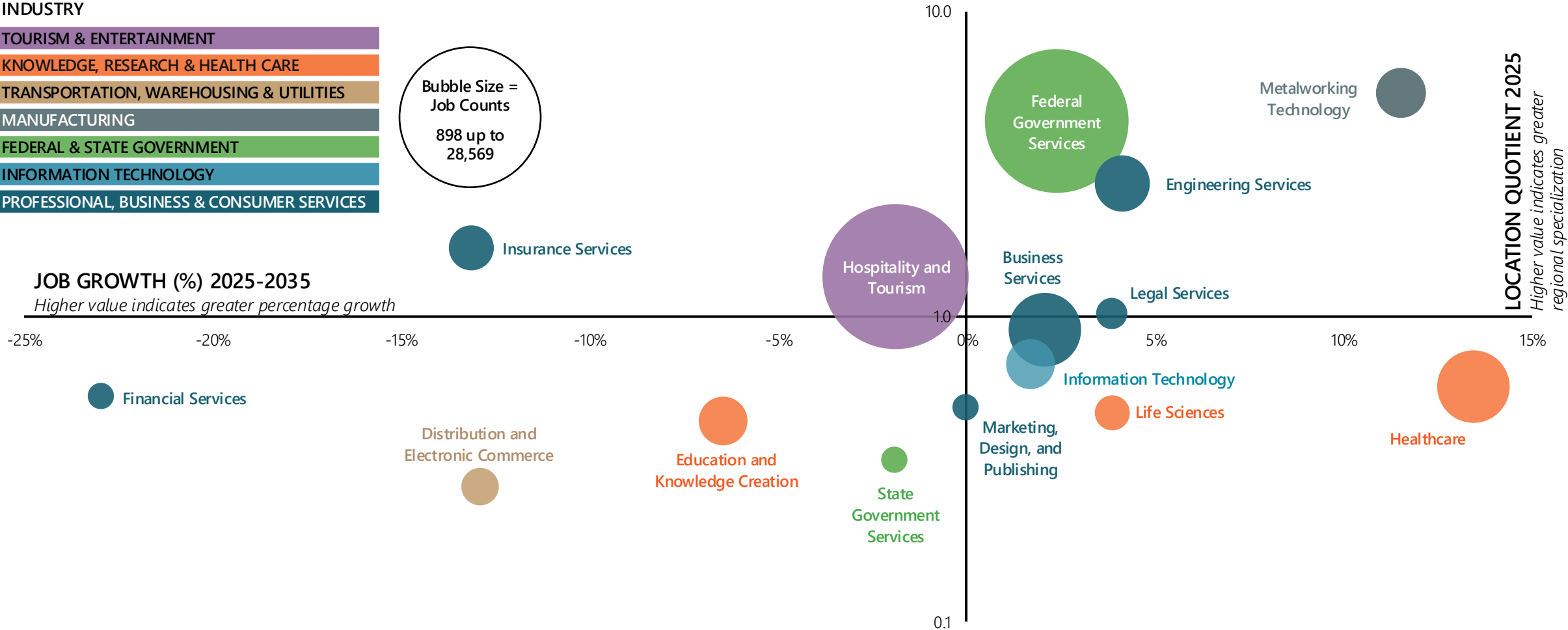
VIRGINIA BEACH MAJOR TRADED CLUSTERS

2015-2025



Source: Lightcast (2025), SB Friedman
SB Friedman Development Advisors, LLC

VIRGINIA BEACH PROJECTED TRADED CLUSTER GROWTH 2025-2035



Source: Lightcast (2025), SB Friedman
SB Friedman Development Advisors, LLC

HISTORIC & PROJECTED MAJOR LOCAL CLUSTER GROWTH

Employment growth over the next decade is projected to be lower than growth over the last 10 years

- Health Services; Real Estate, Construction and Development; and Education and Training are the largest local economic clusters in Virginia Beach.
- As with traded clusters, growth in the last 10 years is greater than expected job growth over the next 10 years for local economic clusters.

TOP TEN LOCAL CLUSTERS IN VIRGINIA BEACH

	Location Quotient, 2025	Employment, 2015	Employment, 2025	Employment, 2035 Projected	Employment CAGR, 2015-2025	Employment CAGR, 2025-2035	Average Wage, 2024
Health Services	1.1	14,818	15,698	16,296	0.58%	0.37%	\$77,500
Real Estate, Construction, & Development	1.0	14,911	14,859	13,080	-0.04%	-1.27%	\$79,800
Education & Training	1.2	13,523	13,285	12,602	-0.18%	-0.53%	\$69,700
Commercial Services	1.1	10,064	10,700	10,996	0.61%	0.27%	\$63,900
Government Services	1.2	8,276	8,597	8,694	0.38%	0.11%	\$82,400
Clothing & General Merchandise Retail	1.1	7,037	6,583	6,181	-0.67%	-0.63%	\$32,500
Personal Services (Non-Medical)	1.5	5,081	6,064	6,232	1.78%	0.27%	\$41,000
Motor Vehicle Products and Services	1.0	6,311	5,829	5,386	-0.79%	-0.79%	\$61,800
Food/Beverage Processing & Distribution	1.0	5,872	5,738	5,335	-0.23%	-0.73%	\$39,700
Community & Civic Organizations	0.6	5,523	4,607	4,643	-1.80%	0.08%	\$38,000



Land Use Evaluation



INDUSTRIAL

INDUSTRIAL BUILDING TYPES

CoStar distinguishes between more traditional industrial buildings & flex space

CoStar, a real estate industry data provider, defines industrial and flex as:



INDUSTRIAL

- A type of building adapted for a combination of uses such as assemblage, processing, and/or manufacturing products from raw materials or fabricated parts. Secondary types include:
 - Data Center
 - Distribution
 - Manufacturing
 - Truck Terminal
 - Service (Auto Repair)
 - Warehouse



FLEX

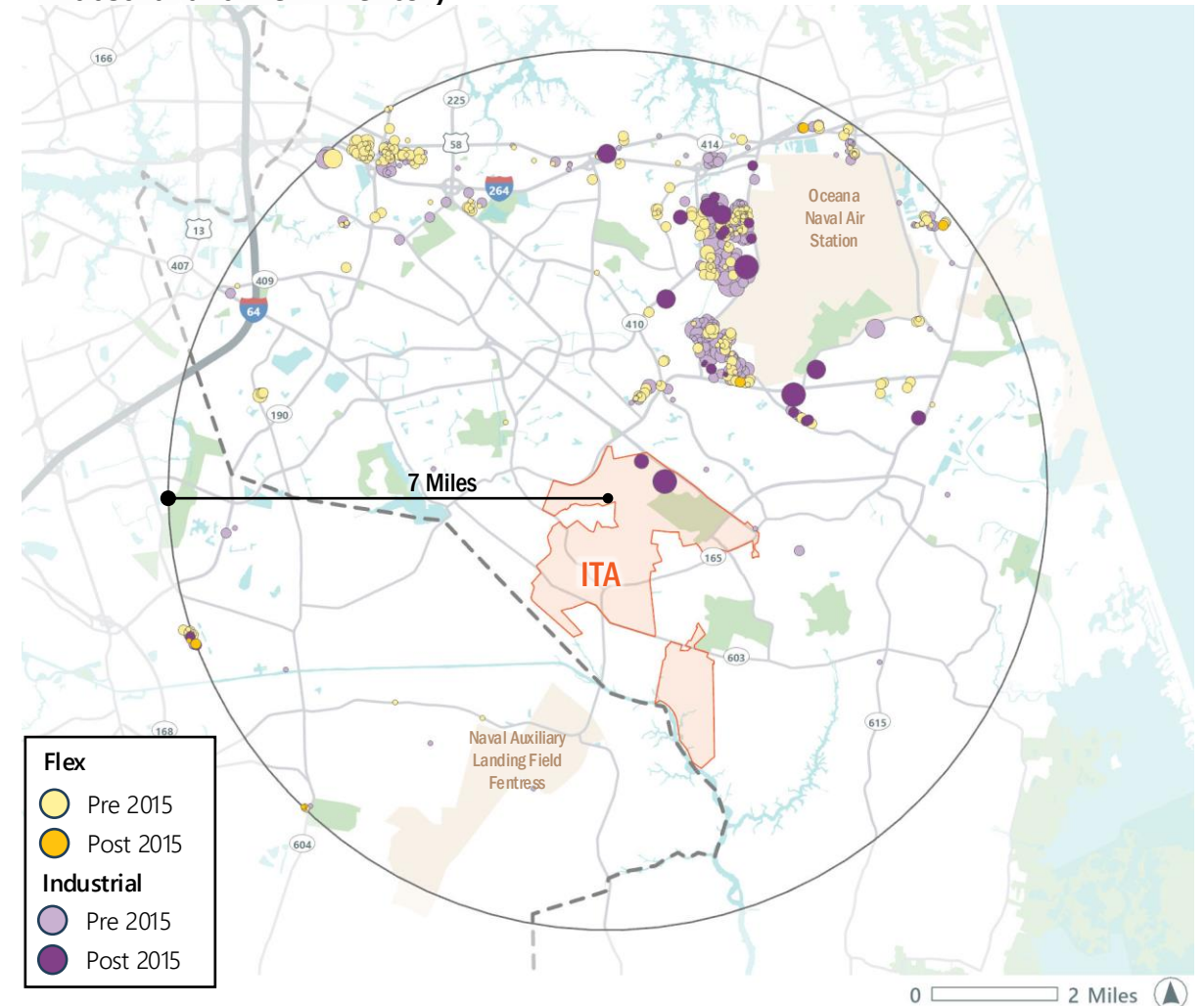
- A type of building designed to be versatile, which may be used in combination with office, research and development, quasi-retail sales, and including but not limited to industrial, warehouse, and distribution uses. At least half of the rentable building area (RBA) must be used as office space. Flex buildings have also been called Incubator, Tech and Showroom buildings in markets throughout the country.

INDUSTRIAL & FLEX DEVELOPMENT

Since 2015, approximately 2.3M SF of industrial & flex space was delivered within the market area

- Industrial development is typically driven by transportation network connectivity, labor force access, land availability and shovel-readiness, as well as the tax position of an area and available development incentives.
- In the area surrounding the ITA—the “market area” being defined as area within a seven-mile radius of the ITA—most new industrial and flex development occurred in clusters located near the Oceana Naval Air Station and/or near major highways.
- Despite being a 12-15-minute drive from the interstate system, 530,000 SF of new development has occurred within the City’s Innovation Park located within the ITA. This new development has been driven by the expansion of existing local industrial businesses: Architectural Graphics Inc. and Acoustic Sheetmetal Company.
- Interviews with industrial brokers indicated that the ITA is best positioned to capture local businesses looking to relocate or expand within Virginia Beach, rather than national corporations looking to enter the region.

Industrial and Flex Inventory

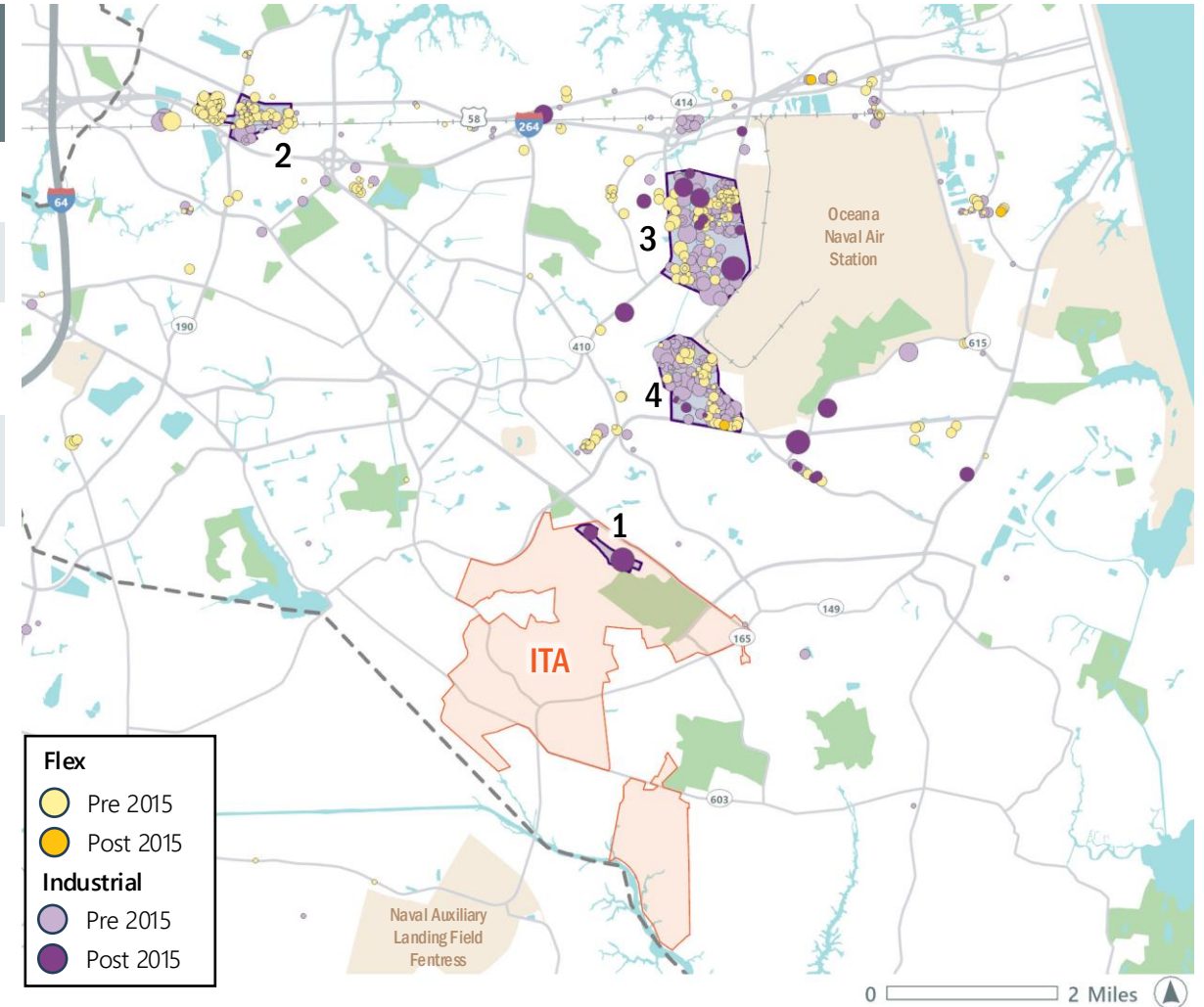


INDUSTRIAL & FLEX CLUSTERS NEAR STUDY AREA

Innovation Park has captured 530K SF of industrial development in the last decade

	Total SF	Built Since 2015		Vacancy, per CoStar	Select Tenants
		Total SF	Average Building SF		
1	530,000	530,000	265,000	0.0%	Architectural Graphics & Acoustic Sheetmetal
2	1,419,500	-	-	3.3%	HVAC suppliers, storage facilities – Warehouse & Light Distribution
3	5,064,000	203,400	33,900	1.1%	Architectural Graphics, Busch Vacuums, software, STIHL, services and contract work, sports training
4	2,618,400	52,500	10,500	1.6%	Architectural Graphics, military supply– Warehouse & Light Manufacturing

- Many of the new industrial and flex deliveries in the last decade were smaller buildings (less than 50,000 SF).
- Interviews with industrial real estate brokers indicated that there is likely to be continued demand for industrial spaces of this scale in Virginia Beach.

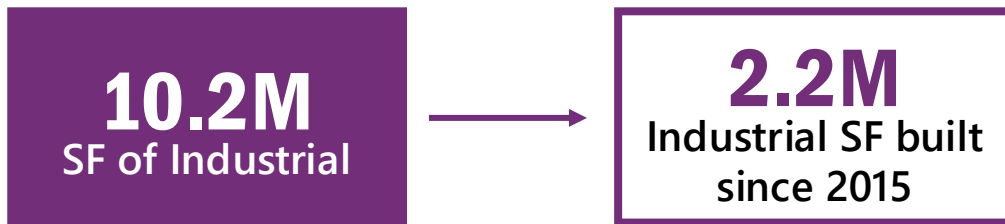
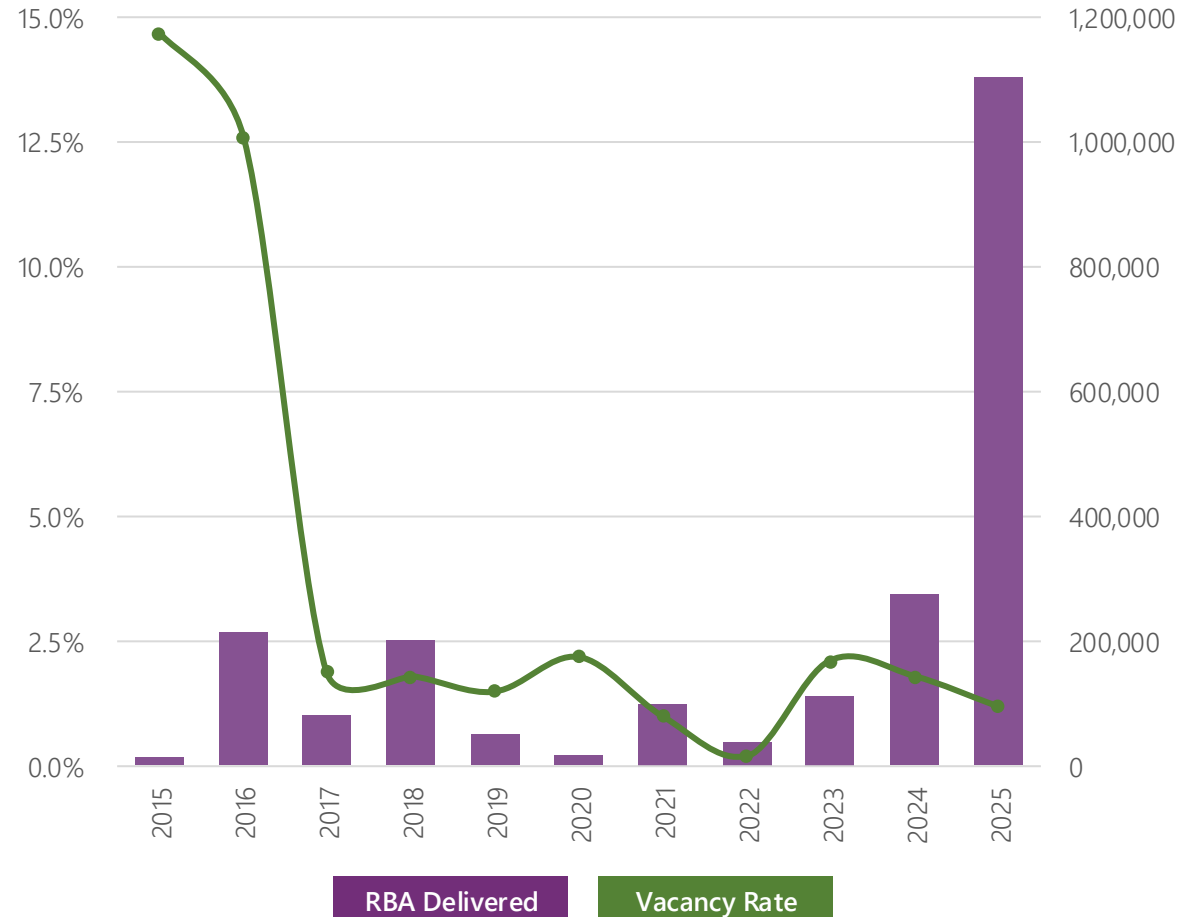


INDUSTRIAL DEVELOPMENT & VACANCY

In 2025, over 1.1M SF of industrial space was delivered in the market area

- Within a 7-mile radius of the ITA, industrial properties have seen strong performances in recent years.
- Following a period of elevated vacancy in the early 2010s, between 2015 and 2017 industrial vacancy fell from 14.7% to 1.9% after significant absorption. Since then, industrial vacancy has remained low.
- In 2025, the industrial vacancy rate averaged 1.2%.
- Between 2015 and 2024, industrial deliveries were fairly limited in the market area. However, in 2025 over 1.1 million SF of industrial space was delivered via two major projects: a 675K-SF Amazon Fulfillment distribution facility and the 430K-SF Architectural Graphics Inc. manufacturing facility (located in the ITA).

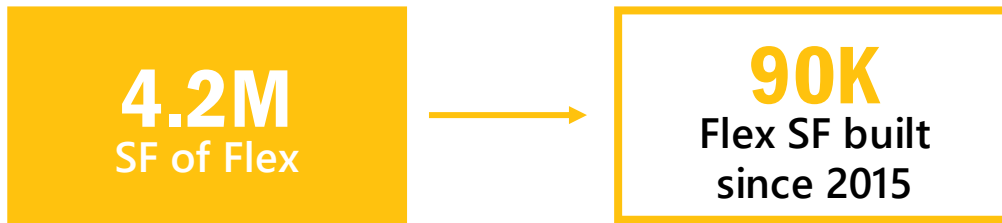
Industrial Vacancy and Deliveries by RBA, 2015-2025



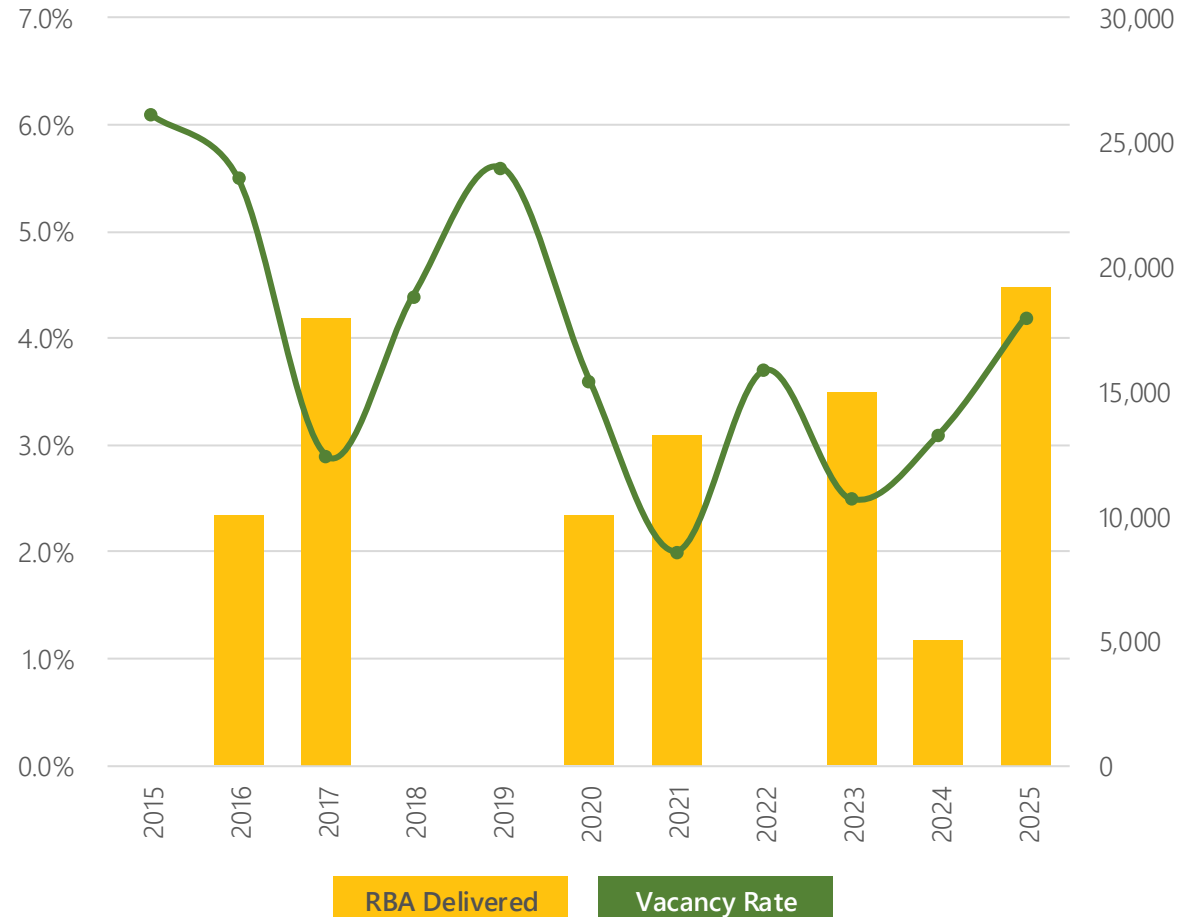
FLEX DEVELOPMENT & VACANCY

Flex space does not appear to be a major driver of development in the market area

- Since 2015, less than 100K SF of flex space was delivered in the market area. During this period, the flex vacancy rate has fluctuated between 2% and 6%.



Flex Vacancy and Deliveries by RBA, 2015-2025



PROJECTED INDUSTRIAL EMPLOYMENT GROWTH 1 of 2

Businesses within several different industrial sectors could be appropriate for the Study Area

- Lightcast, a labor market data provider, projects employment growth by sector. SB Friedman evaluated which sectors are growing locally and could be appropriate for the Study Area. Both Manufacturing and Transportation & Warehousing are growing sectors driving demand for industrial space in Virginia Beach; however, given site considerations and adjacent land uses, some clusters—particularly in Transportation—are not likely to be appropriate for the ITA.

	NAICS	MSA		Virginia Beach		Virginia Beach Projected Growth	VB % Capture of Regional Employment
		2025	2035	2025	2035	2025-2035	2035 (Projected)
Transportation and Warehousing							
Sectors Likely Not Appropriate for the Study Area							
Air Transportation	481	828	830	--	--	--	--
Rail Transportation	482	900	594	103	86	(17)	14%
Water Transportation	483	979	726	16	18	3	3%
Transit and Ground Passenger Transportation	485	1,263	1,307	173	184	11	14%
Pipeline Transportation	486	117	146	--	--	--	--
Scenic and Sightseeing Transportation	487	166	151	49	53	5	35%
Postal Service	491	36	39	--	--	--	--
Sectors Likely Appropriate for the Study Area							
Truck Transportation	484	4,975	5,187	747	880	133	17%
Support Activities for Transportation	488	8,465	8,239	626	709	83	9%
Couriers and Messengers	492	5,261	6,388	1,286	1,441	155	23%
Warehousing and Storage	493	5,764	5,153	106	80	(26)	2%
TOTAL		28,752	28,760	3,115	3,451	336	12%
TOTAL PROJECTED GROWTH			8		336		
Sectors Likely Not Appropriate for the Study Area			(495)		(9)		
Sectors Likely Appropriate for the Study Area			503		345		

PROJECTED INDUSTRIAL EMPLOYMENT GROWTH 2 of 2

Manufacturing employment growth is a primary demand driver for industrial properties

	NAICS	MSA		Virginia Beach		Virginia Beach Projected Growth	VB % Capture of Regional Employment
		2025	2035	2025	2035	2025-2035	2035 (Projected)
Manufacturing							
Food Manufacturing	311	4,159	3,262	279	301	23	9%
Beverage and Tobacco Product Manufacturing	312	1,646	1,923	185	290	105	15%
Textile Mills & Textile Product Mills	313, 314	473	439	178	151	(27)	35%
Apparel Manufacturing & Leather and Allied Product Manufacturing	315, 316	119	162	62	98	36	60%
Wood Product Manufacturing	321	747	845	58	78	20	9%
Paper Manufacturing	322	614	485	142	137	(4)	28%
Printing and Related Support Activities	323	1,539	1,323	556	606	50	46%
Petroleum and Coal Products Manufacturing	324	360	476	61	80	18	17%
Chemical Manufacturing	325	1,350	1,272	48	61	13	5%
Plastics and Rubber Products Manufacturing	326	534	602	73	102	29	17%
Nonmetallic Mineral Product Manufacturing	327	1,241	1,080	167	85	(82)	8%
Primary Metal Manufacturing	331	1,015	935	--	--	--	--
Fabricated Metal Product Manufacturing	332	3,514	3,930	783	1,106	323	28%
Machinery Manufacturing	333	4,520	4,613	2,741	2,917	176	63%
Computer and Electronic Product Manufacturing	334	727	846	71	62	(9)	7%
Electrical Equipment, Appliance, and Component Manufacturing	335	1,078	1,435	143	182	39	13%
Transportation Equipment Manufacturing	336	32,418	32,306	463	330	(133)	1%
Furniture and Related Product Manufacturing	337	715	682	82	41	(40)	6%
Miscellaneous Manufacturing	339	1,728	2,001	892	973	80	49%
TOTAL		58,498	58,617	6,984	7,601	616	13%
TOTAL PROJECTED GROWTH			119		616		

INDUSTRIAL LAND USE RECOMMENDATIONS 1 of 2

Employment growth could drive development of up to 1.0 million SF of new development by 2035

Sector	Projected Employment Growth by 2035	Assumed Employment Density	Estimated Building SF Needed to Meet Projected Employment Growth by 2035
Manufacturing	616	500-800 SF per employee	310,000-490,000 SF (Rounded)
Transportation & Warehousing (Sectors Likely Appropriate for the Study Area)	345	1,000-1,500 SF per employee	350,000-520,000 SF (Rounded)

Estimated Building SF Needed to Meet Projected Employment Growth by 2035	Assumed Industrial Floor-to-Area Ratio	Estimated Land Area Needed to Meet Projected Employment Growth by 2035
660,000-1,010,000 SF 66,000-101,000 SF/year	0.25	61-93 acres

Historic Absorption-Based Projection (25 Years)	Assumed Industrial Floor-to-Area Ratio	Estimated Land Area Needed by 2050, Based on Historic Absorption
120,000 SF/year 3,000,000 SF total	0.25	275 acres

- According to CoStar, industrial and flex deliveries within a 7-mile radius of the ITA averaged 209,000 SF annually between 2015 and 2025. This average is inclusive of 2025, when two major developments totaling over 1.1 million SF were delivered.
- Between 2015 and 2024, annual industrial deliveries in the market area averaged approximately 120,000 SF.
- Employment growth in the Manufacturing and the Transportation and Warehousing sectors could drive development of up to 1.0 million SF of new development by 2035.
- The high-end of this 10-year projection (101,000 SF of development per year) is within range of the historic 10-year trend (120,000 SF/year), exclusive of the two major deliveries in 2025. Historic absorption accounts for both economic growth and relocations.
- Employment growth over the longer-term (years 15-25) is difficult to measure; however, it would be reasonable to plan for continued industrial absorption within Virginia Beach of 120,000 SF/year.

INDUSTRIAL LAND USE RECOMMENDATIONS 2 of 2

Historic absorption & projected employment growth indicate the need for further industrial development

Sector	Acres
Historic Absorption-Based Projection (2050)	275
Less Industrially-Zoned Land – Currently For-Sale	(-100)
Net Estimated Land Area Needed by 2050	175

Preliminary Impact Assessment		
Manufacturing Employment	1 employee	per 500-800 SF of new development
	0.171	Indirect Jobs per 1 direct job
	0.414	Induced Jobs per 1 direct job
	\$71,056	Direct Earnings per 1 direct job
	\$12,851	Indirect Earnings per 1 direct job
	\$25,029	Induced Earnings per 1 direct job
Other Industrial Employment	1 employee	per 1,000-1,500 SF of development
	0.198	Indirect Jobs per 1 direct job
	0.222	Induced Jobs per 1 direct job
	\$47,465	Direct Earnings per 1 direct job
	\$8,704	Indirect Earnings per 1 direct job
	\$11,562	Induced Earnings per 1 direct job
Real Estate Taxes	\$150/SF	in Assessed Value
	\$1.46/SF	in Property Taxes

- When accounting for industrially-zoned land that is currently for sale, the net need for industrially-zoned land is projected to be 175 acres by 2050.
- Given the limited availability of industrially-zoned land in Virginia Beach, much of this demand could be captured in the ITA.
- While the two recent industrial deliveries in the ITA have been larger developments, there may be an opportunity to capture smaller-format industrial development in the ITA.
- Real estate brokers indicated that there is likely to be continued demand for smaller industrial spaces of this scale in Virginia Beach.
- Preliminary estimates of the employment- and property tax-related impacts of industrial development are presented to the right.

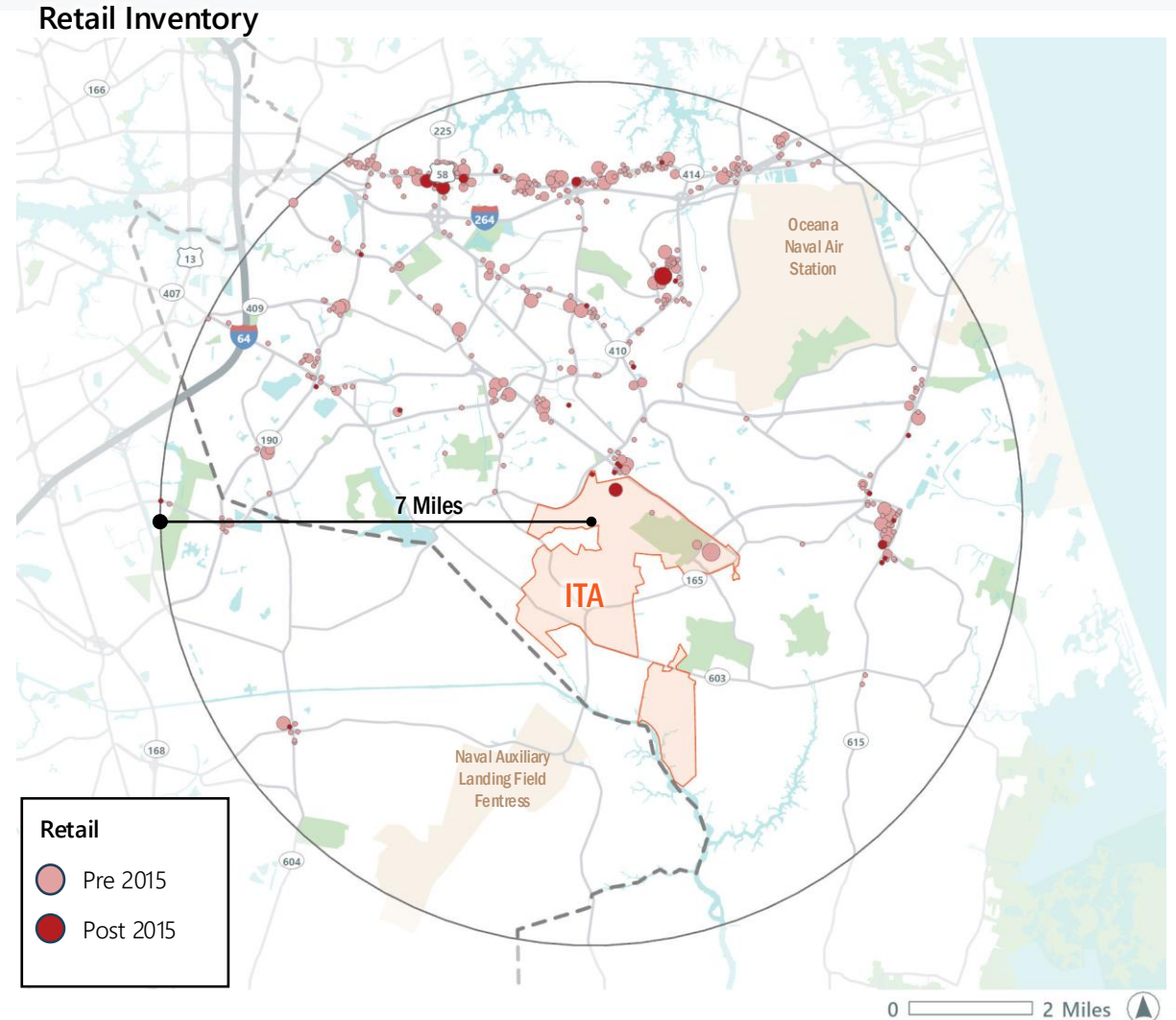


RETAIL

RETAIL DEVELOPMENT

The market area contains nearly 20M SF of retail space

- The majority of retail inventory was developed prior to 2015, with over half of the properties being built pre-2000.
- There are very few retail developments to the southwest and southeast of the ITA due to the strong presence of agricultural land use in those regions.
- Interviews with real estate professionals indicated that Virginia Beach has a high volume of retail space, with the level of competition and shifting consumer preferences straining sales for most traditional retailers. Food and beverage and service-oriented tenants continue to perform well.



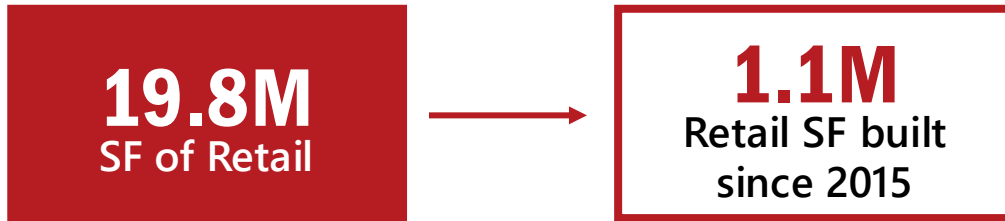
Source: CoStar, SB Friedman

SB Friedman Development Advisors, LLC

RETAIL DEVELOPMENT & VACANCY

Retail deliveries have been low since the pandemic with vacancy rates currently below 4%

- Annual retail deliveries have fallen since the start of the COVID-19 pandemic.
- Retail vacancy has remained below 6% consistently since 2015 with a current rate of 3.5%.



Retail Vacancy and Deliveries by RBA, 2015-2025



RETAIL CENTER TYPOLOGIES

Retail centers can be categorized into three major typologies based on several factors

Retail clusters are categorized into three major typologies: Downtown/Walkable, Regional-Serving and Community-Serving. Typologies differ based on scale, number and type of anchors, and size of trade area. More detail on retail clusters in and around the ITA is provided on the following pages.

DOWNTOWN/WALKABLE

DOWNTOWN / EXPERIENTIAL

- Mixed-use
- Ground-floor retail
- Walkable pedestrian environment
- **SIZE VARIES**

REGIONAL-SERVING

REGIONAL MALL / SUPER-REGIONAL MALL

- Anchored by 2+ full-line department stores
- ~500,000-1,000,000+ SF

LIFESTYLE CENTER

- Upscale national-chain specialty stores
- Dining/entertainment focus
- ~250,000-500,000 SF

POWER CENTER

- 2+ category-dominant freestanding anchors of ~100,000+ SF
- General merchandise, home improvement
- ~250,000-750,000 SF

COMMUNITY-SERVING

COMMUNITY CENTER

- 1+ category-dominant freestanding anchors of ~100,000+ SF
- -- OR --
- 1+ grocer anchors of ~50,000+ SF and additional category dominant retailers
- ~100,000-250,000 SF

NEIGHBORHOOD CENTER

- 1+ grocer anchors of ~50,000 SF or more
- Additional supporting retail
- ~75,000-150,000 SF

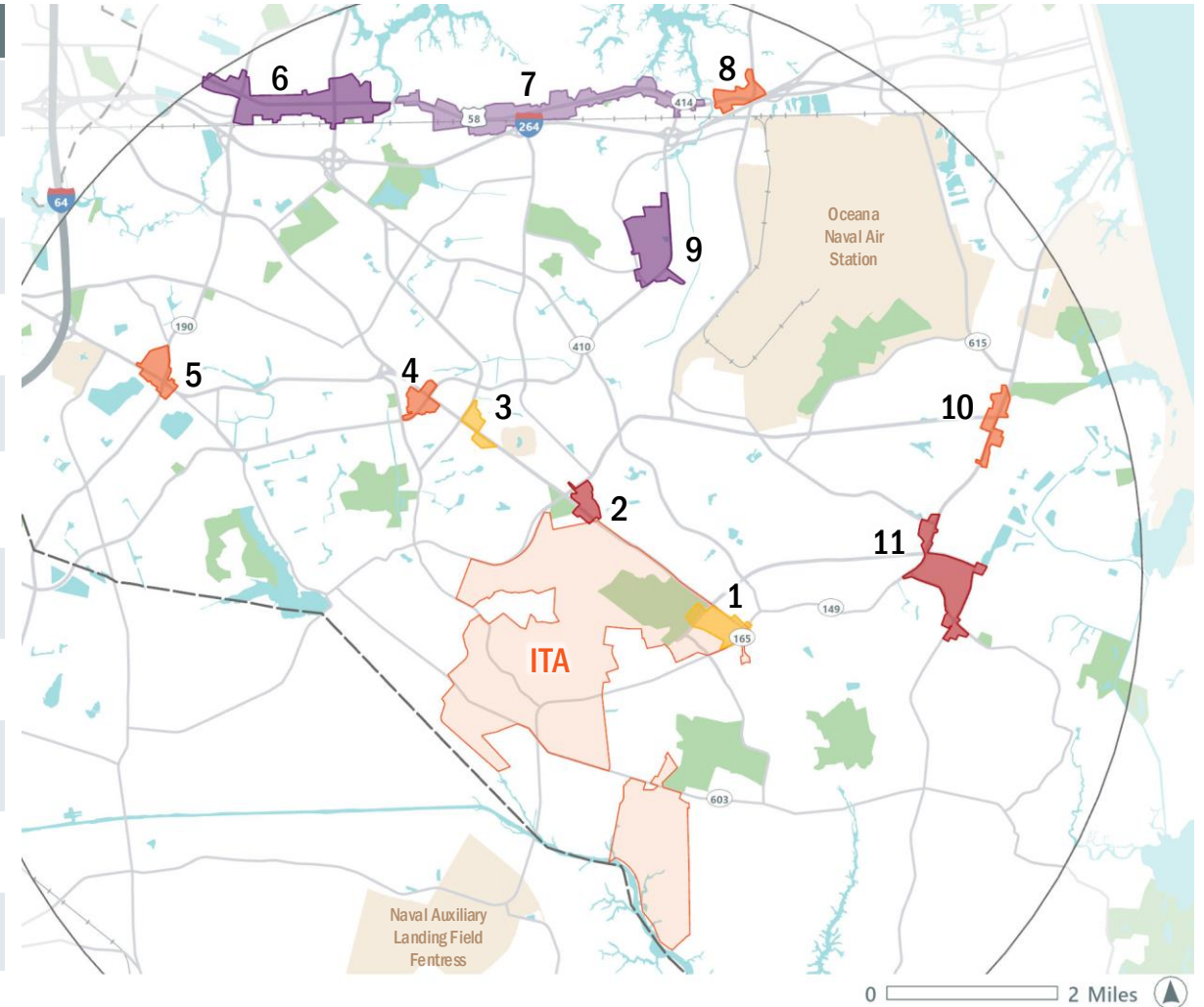
FREESTANDING / STRIP RETAIL

- Small convenience center with goods and services
- Limited trade area
- ~5,000-150,000 SF

RETAIL CENTERS NEAR STUDY AREA

Per CoStar, adjacent clusters experience very low vacancy

	Retail Typology	Total SF	Vacancy	Select Tenants
1	Neighborhood Center	432,000	0.3%	Harris Teeter, McDonalds, Waffle House, Chain Food
2	Power Center	588,000	0.7%	Kohls, Best Buy, Walgreens, Ulta, PetSmart, Dollar Tree
3	Neighborhood Center	379,000	0.0%	Target, Chain Food
4	Community Center	589,000	4.1%	Enson Market, Aldi, Pet Supplies Plus, Strip Mall and Chain Food
5	Community Center	550,000	0.0%	Walmart, Home Depot
6	Regional Mall	2,970,000	2.0%	Wegmans, Walmart, Walgreens, Target, Ashley Homestore, Towne Center Shopping Center
7	Lifestyle/Power Center	3,102,000	3.7%	Food Lion, Burlington, PopShelf, BJ's Wholesale Club, Sam's Club, Home Depot, Kroger
8	Community Center	601,000	0.2%	Lowes, TJ Maxx, Food Lion, Auto Repair/Sale
9	Super Regional Mall	2,357,000	4.0%	JC Penney, AMC, Barnes and Noble, Dave and Busters, Walmart, Value City Furniture
10	Community Center	463,000	1.3%	Food Lion, Aldi, Dollar Tree, Chain Food
11	Power Center	1,533,000	3.1%	Walmart, Home Depot, TJ Maxx, Target, Kohls, Old Navy

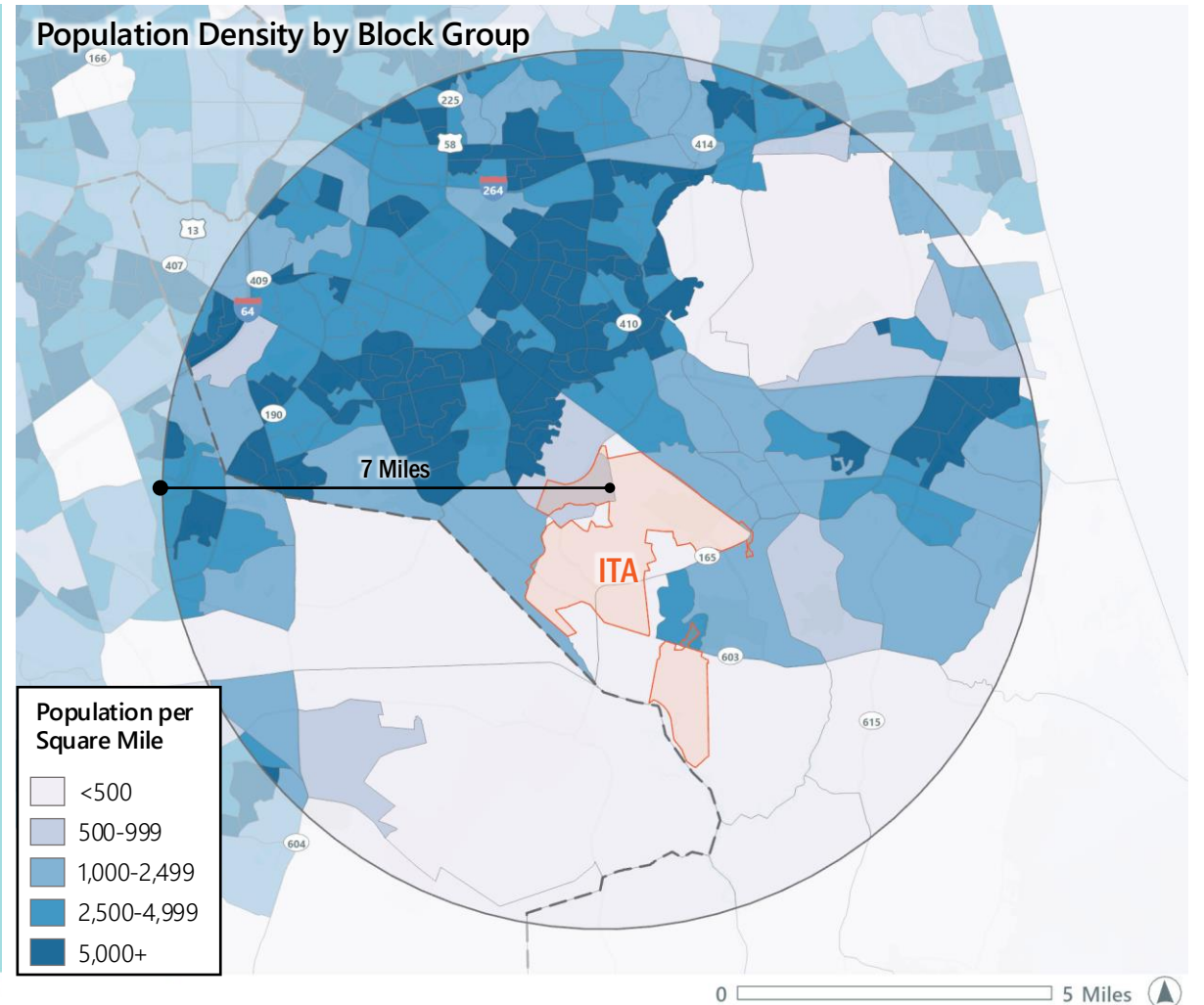
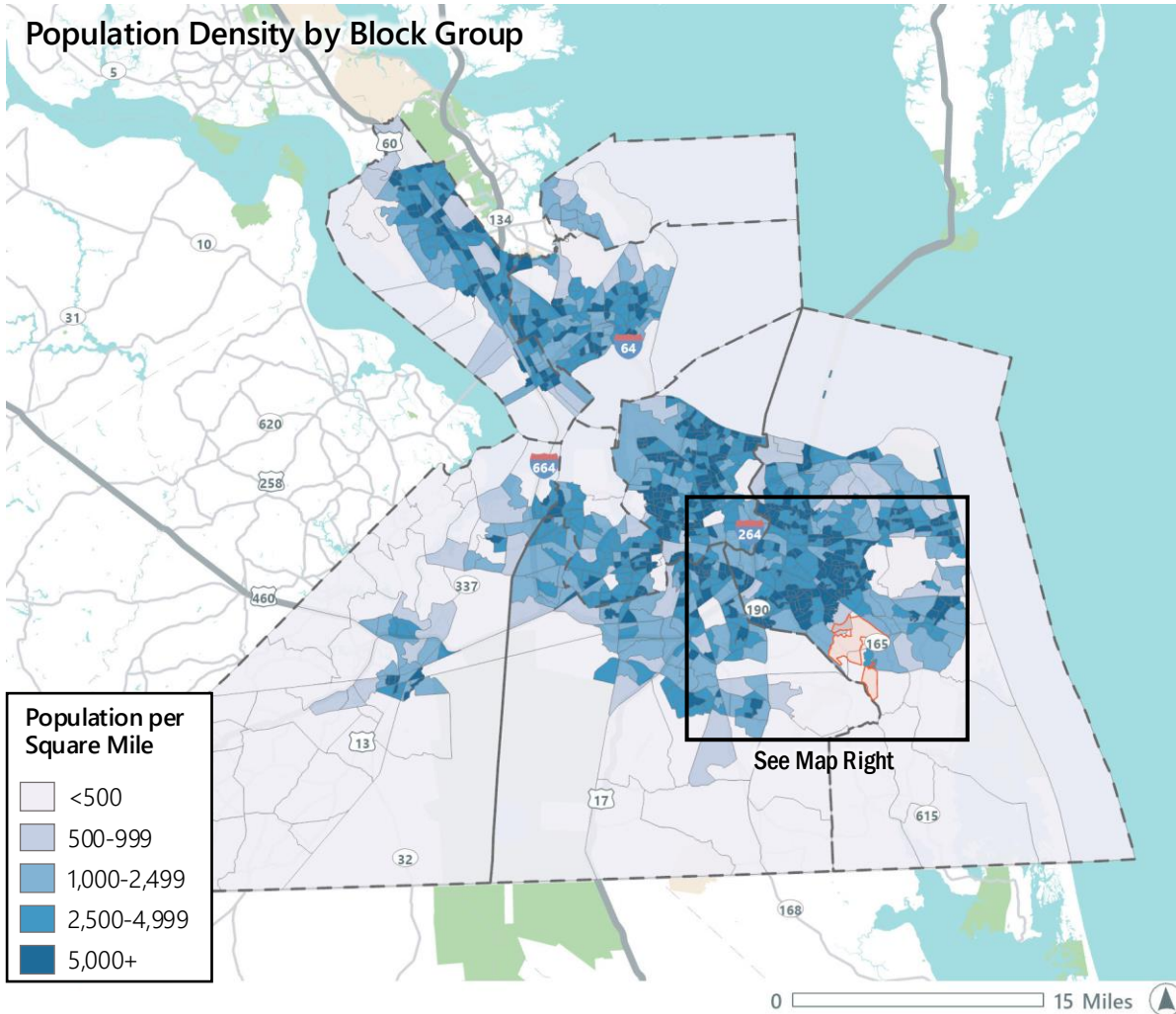


Source: CoStar, SB Friedman

SB Friedman Development Advisors, LLC

POPULATION DENSITY & RETAIL DEMAND

Retail demand is driven by nearby residents; the ITA is located at the edge of VB's built area



Source: ACS 5-Year Estimates, SB Friedman
SB Friedman Development Advisors, LLC

RETAIL LEAKAGE

Claritas data further indicates that Virginia Beach and the ITA are well-served by retail

Retail Sector	NAICS	Virginia Beach Surplus/Gap	5-mi Radius Surplus/Gap	Notes
Furniture and home furnishings stores	442	-\$55,886,405	\$33,668,334	Demand met in larger market area
Electronics and appliance stores	443	-\$33,541,612	-\$21,924,424	Demand met
Building material and garden equipment and supplies dealers	444	\$97,896,484	-\$7,684,565	Demand met
Food and beverage stores	445	-\$439,569,853	-\$81,254,938	Demand met
Health and personal care stores	446	\$49,439,586	\$61,715,686	Opportunity gap; but likely difficult to capture due to nearby population density and the proximity of major chains
Clothing and clothing accessories stores	448	-\$43,701,116	\$79,453,218	Demand met in larger market area
Sporting goods, hobby, musical instrument, and bookstores	451	-\$85,033,002	\$20,883,908	Demand met in larger market area
General merchandise stores	452	\$41,714,749	\$338,348,164	Opportunity gap; but likely difficult to capture due to nearby population density and the proximity of major chains
Food services and drinking places	722	-\$380,539,071	\$253,415,306	Demand met in larger market area; but significant local gap
<i>Removed from Analysis due to Site Suitability</i>				
<i>Motor vehicle and parts dealers</i>	441	-\$22,785,186	\$667,896,237	
<i>Gasoline stations</i>	447	\$256,218,638	\$139,822,275	
<i>Miscellaneous store retailers</i>	453	-\$65,496,596	\$30,954,249	
<i>Non-store retailers</i>	454	\$1,465,348,595	\$497,677,207	

RETAIL LAND USE RECOMMENDATIONS

There is some potential for smaller-scale retail development along Princess Anne Road

Preliminary Impact Assessment

Retail Employment	1 employee	per 400-600 SF of new development
	0.178	Indirect Jobs per 1 direct job
	0.305	Induced Jobs per 1 direct job
	\$41,258	Direct Earnings per 1 direct job
	\$10,400	Indirect Earnings per 1 direct job
	\$18,048	Induced Earnings per 1 direct job
Restaurant Employment	1 employee	per 200 SF of new development
	0.090	Indirect Jobs per 1 direct job
	0.154	Induced Jobs per 1 direct job
	\$27,090	Direct Earnings per 1 direct job
	\$6,446	Indirect Earnings per 1 direct job
	\$8,799	Induced Earnings per 1 direct job
Real Estate Taxes	\$200/SF	in Assessed Value
	\$1.94/SF	in Property Taxes
Sales Taxes	\$250-450/SF	in Retail Sales, depending on typology
	\$2.50-4.50/SF	in Retail Sales Taxes [1]
	\$700-900/SF	in Restaurant Sales, depending on typology
	\$49-63/SF	in Restaurant Sales Taxes [2]

[1] Retail sales tax projections are Virginia Beach's local share only.

[2] Virginia Beach imposes a 6% tax on all prepared meals and drinks sold ready for consumption. Meals and restaurant tax is also subject to VA Retail Sales and Use. Tax projections show Virginia Beach's local share only.

Source: City of Virginia Beach, SB Friedman

SB Friedman Development Advisors, LLC

- Based on capture of consumer spending and retail sales per SF for common typologies, there could be potential for up to 30,000 SF of retail, with limited-service restaurants and small-scale consumer goods as key opportunities.
- Nearby retail clusters have low vacancy rates, but many are also in the process of re-tenanting.
- Retail development would benefit from high traffic along Princess Anne Road, as well as from nearby sports, entertainment, and employment facilities.
- Further retail development could be warranted depending on further expansion of sports tourism in the ITA and growth in net-new visitors. Retail serving these consumers is most likely to be quick-service restaurants and convenience-oriented retail.
- Significant increases in retail would require further residential development in the local market area.
- While further industrial development will increase consumer spending in the vicinity in the ITA, it is unlikely to be a primary driver of additional retail development.
- Preliminary estimates of the employment- and property tax-related impacts of retail development are presented to the right.

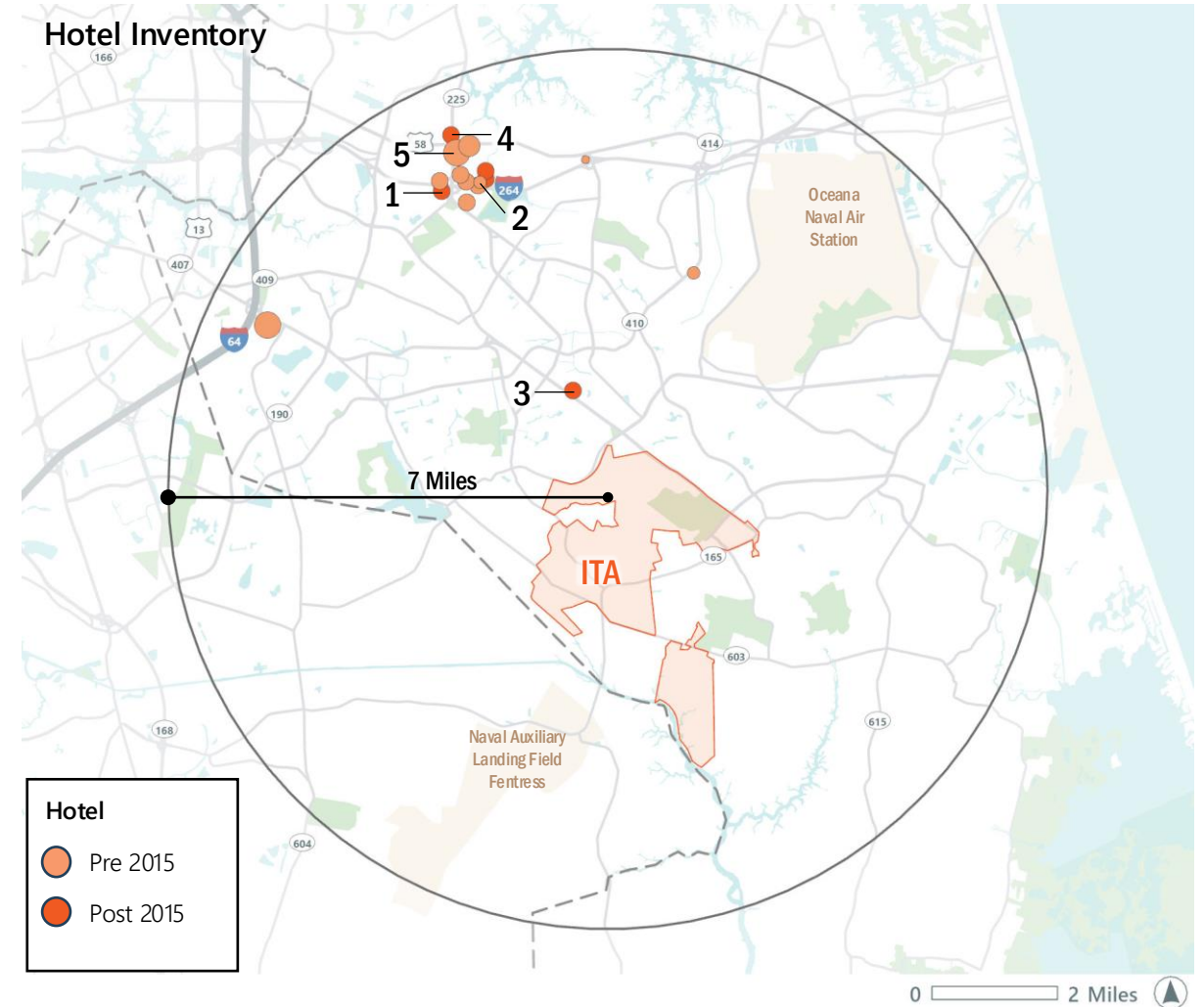
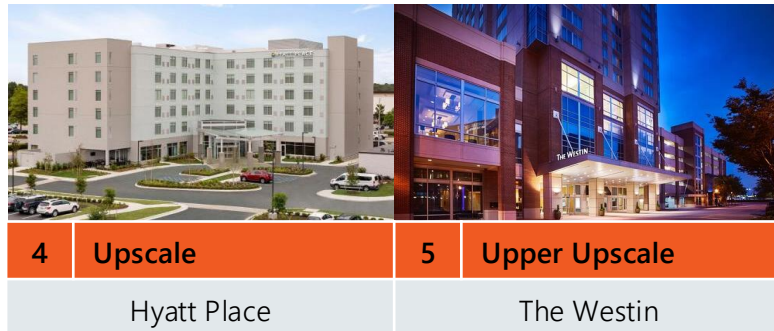


HOSPITALITY

HOSPITALITY DEVELOPMENT

The market area has added 605 hotel keys since 2015

- The market area currently contains 2,114 hotel keys.
- Over half of the hotel keys are in Upscale and Upper Upscale class hotels.
- Half of the current inventory was built prior to 2000.
- Representative hotels by class are pictured below.



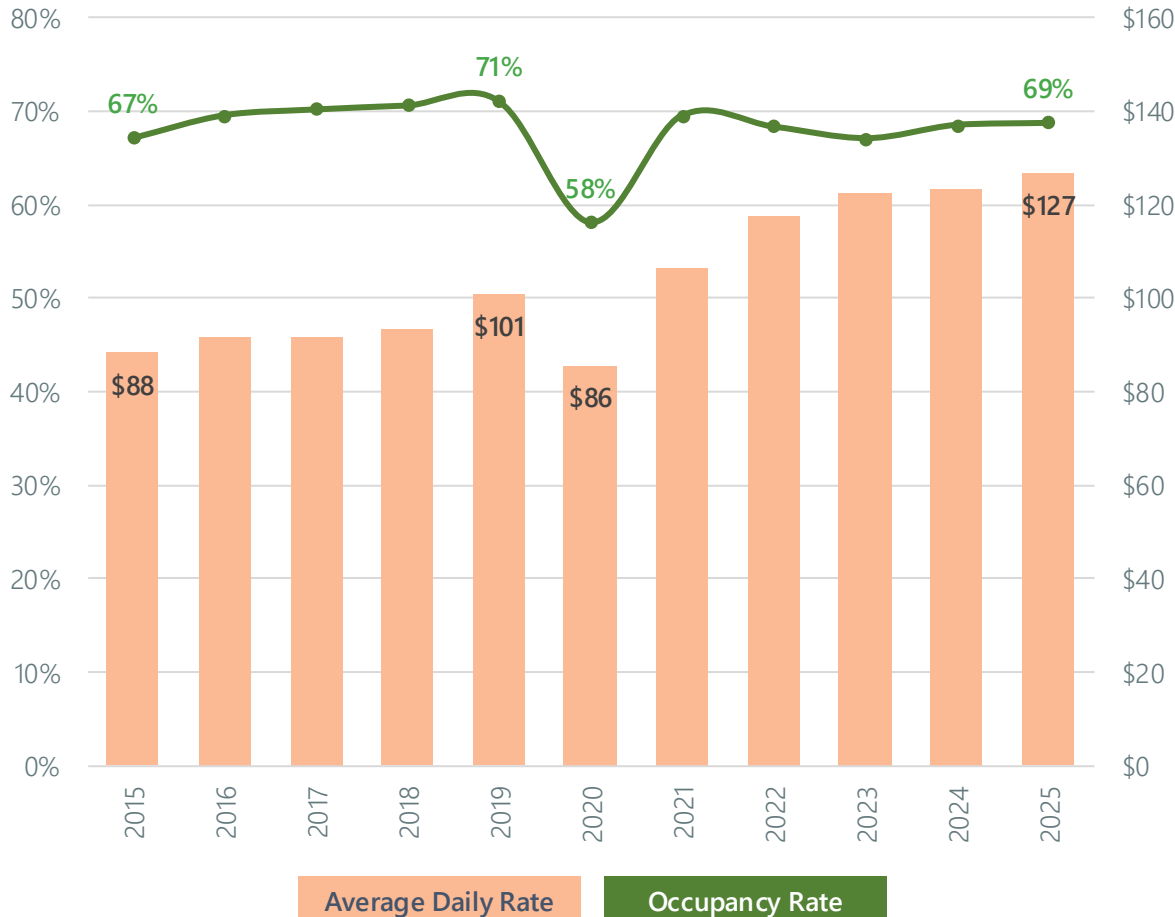
Source: CoStar, SB Friedman

SB Friedman Development Advisors, LLC

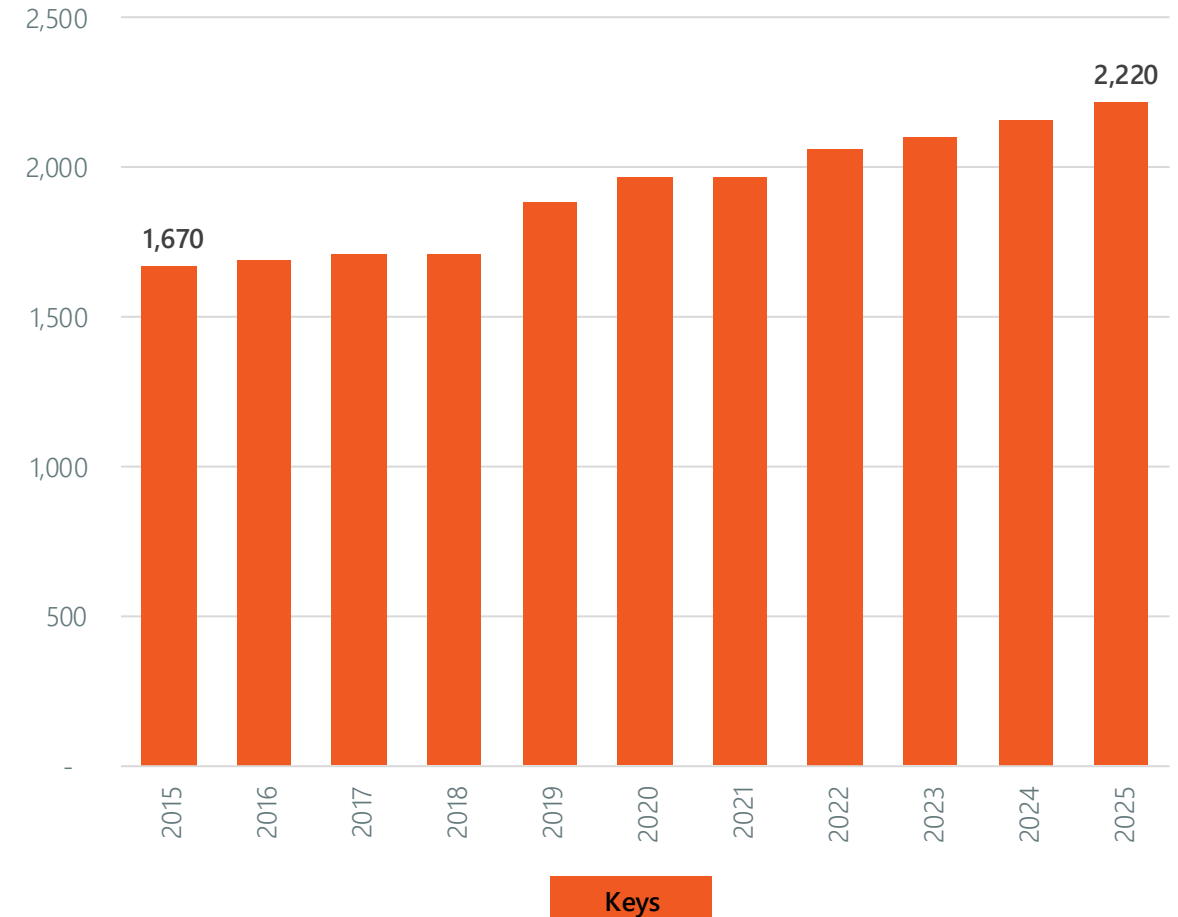
HOTEL DEVELOPMENT & PERFORMANCE

Average hotel occupancy has remained near 70% despite recent deliveries

Hotel Occupancy and Average Daily Rate (ADR), 2015-2025



Hotel Keys, 2015-2025



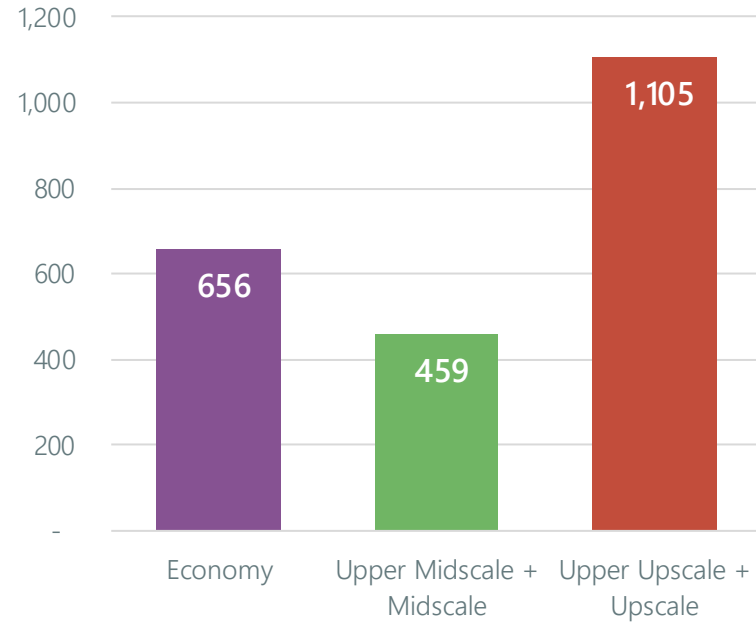
Source: CoStar, SB Friedman

SB Friedman Development Advisors, LLC

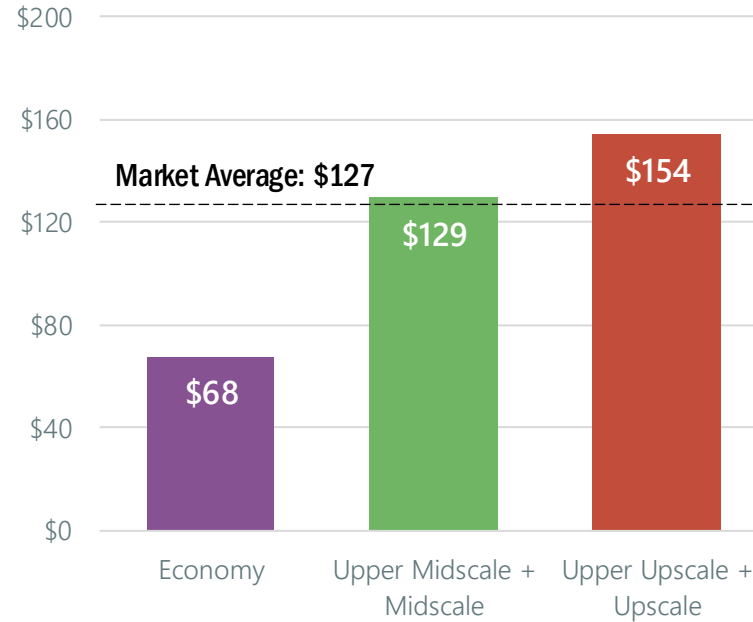
HOTEL MARKET PERFORMANCE BY CLASS

Midscale and Upper Midscale class hotels have the highest average occupancy

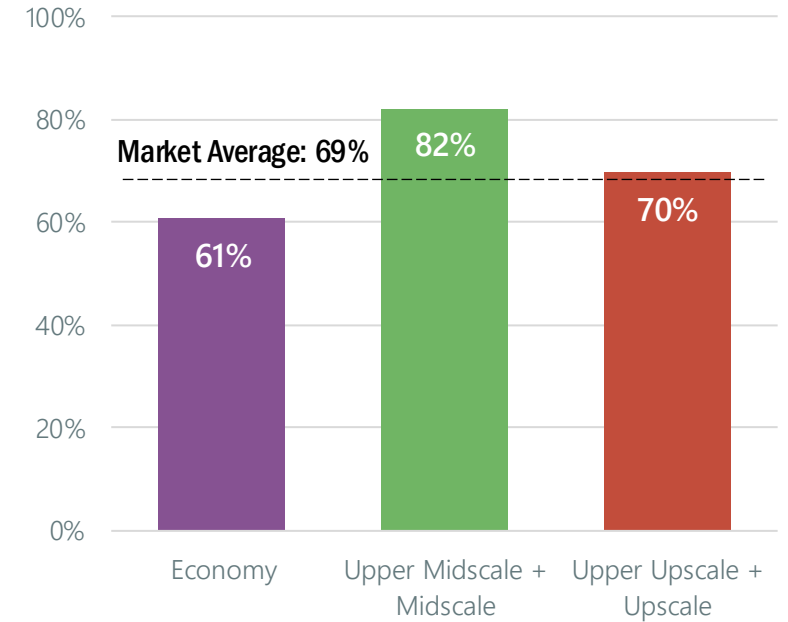
Rooms by Hotel Class, 2025



ADR by Hotel Class, 2025



Occupancy by Hotel Class, 2025



HOSPITALITY LAND USE RECOMMENDATIONS

Market demand is currently limited but could increase with additional sports tourism development

Hotel Class	Upper Midscale + Midscale	Upper Upscale + Upscale
2025 Room Count within 7-mi radius of ITA	459	1,105
2025 Occupancy Rate	82.1%	69.6%
Additional Rooms Needs to Achieve Market Occupancy of 65%	121	78
Additional Rooms Needs to Achieve Market Occupancy of 70%	79	0

Preliminary Impact Assessment		
Employment	1-1.5	employees per new hotel key
	0.131	Indirect Jobs per 1 direct job
	0.264	Induced Jobs per 1 direct job
	\$32,951	Direct Earnings per 1 direct job
	\$8,325	Indirect Earnings per 1 direct job
	\$16,168	Induced Earnings per 1 direct job
Real Estate Taxes	\$225/SF	in Assessed Value
	\$2.18/SF	in Property Taxes

- In 2025, hotel occupancy rates for Upper Midscale + Midscale and Upper Upscale + Upscale exceed typical occupancy rates of 65-70%.
- Up to 121 additional rooms could be developed to achieve typical market occupancy rates.
- However, a 112-room hotel proposed to open in 2027 at 3756 Princess Anne Road is likely to capture this demand.
- Further hotel development could be warranted depending on further expansion of sports tourism in the ITA and the number of net-new room nights generated.
- Preliminary estimates of the employment- and property tax-related impacts of hotel development are presented to the right.

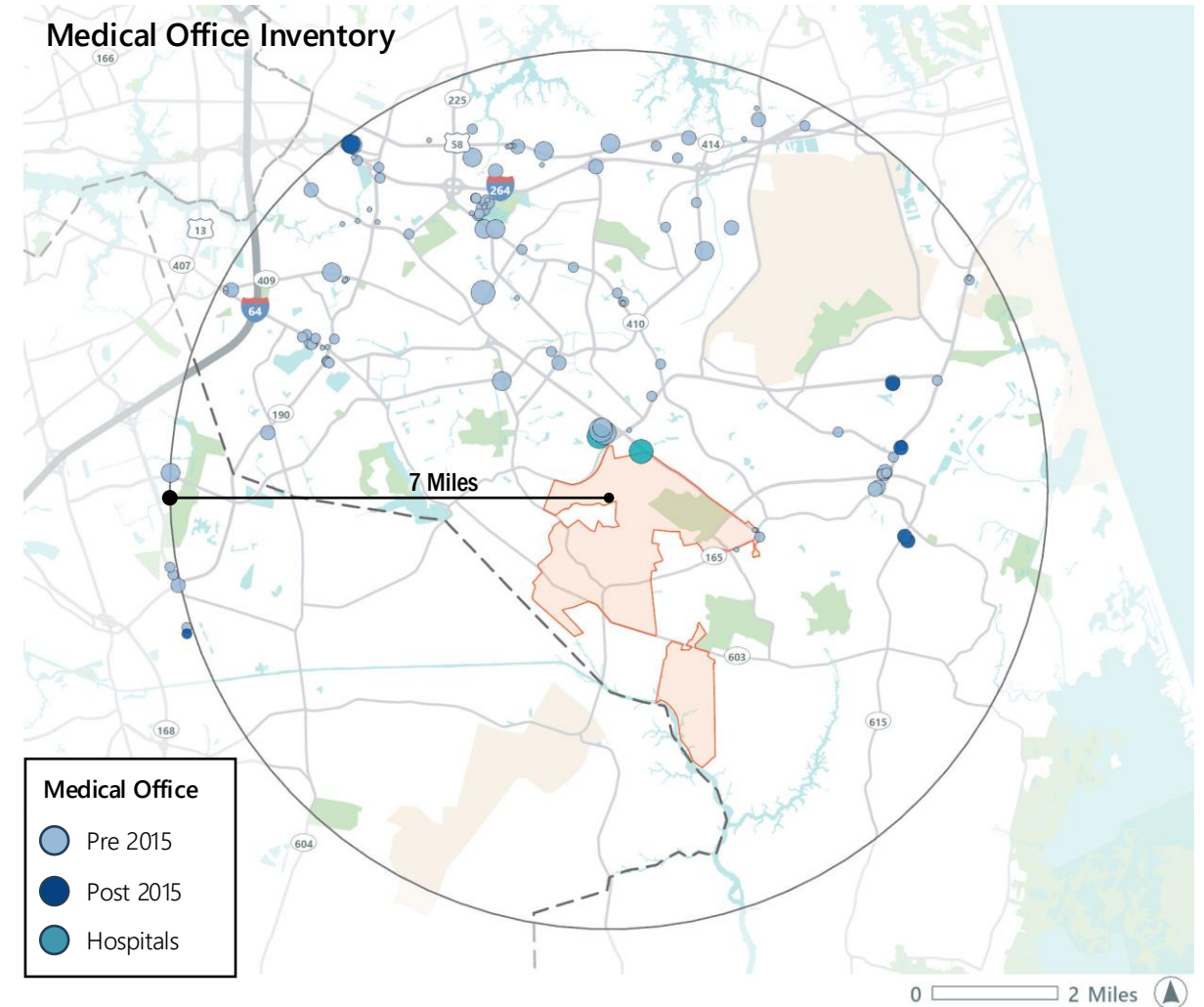


MEDICAL OFFICE

MEDICAL OFFICE DEVELOPMENT

The market area has experienced little medical office development in recent years

- Key informant interviews indicated that recent medical office development has been led by regional health systems.
- 74 of the 112 medical office properties were built pre-2000, with 98 having been built prior to 2010. Little development has been seen in recent years



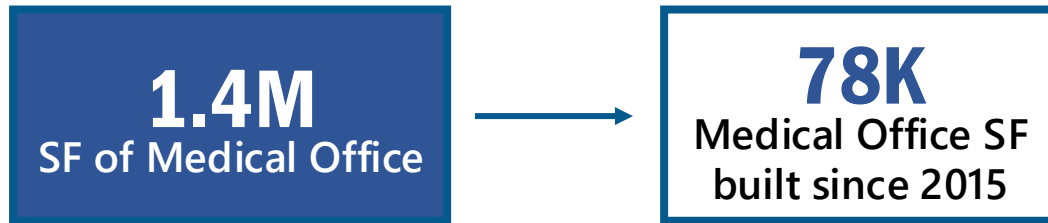
Source: CoStar, SB Friedman

SB Friedman Development Advisors, LLC

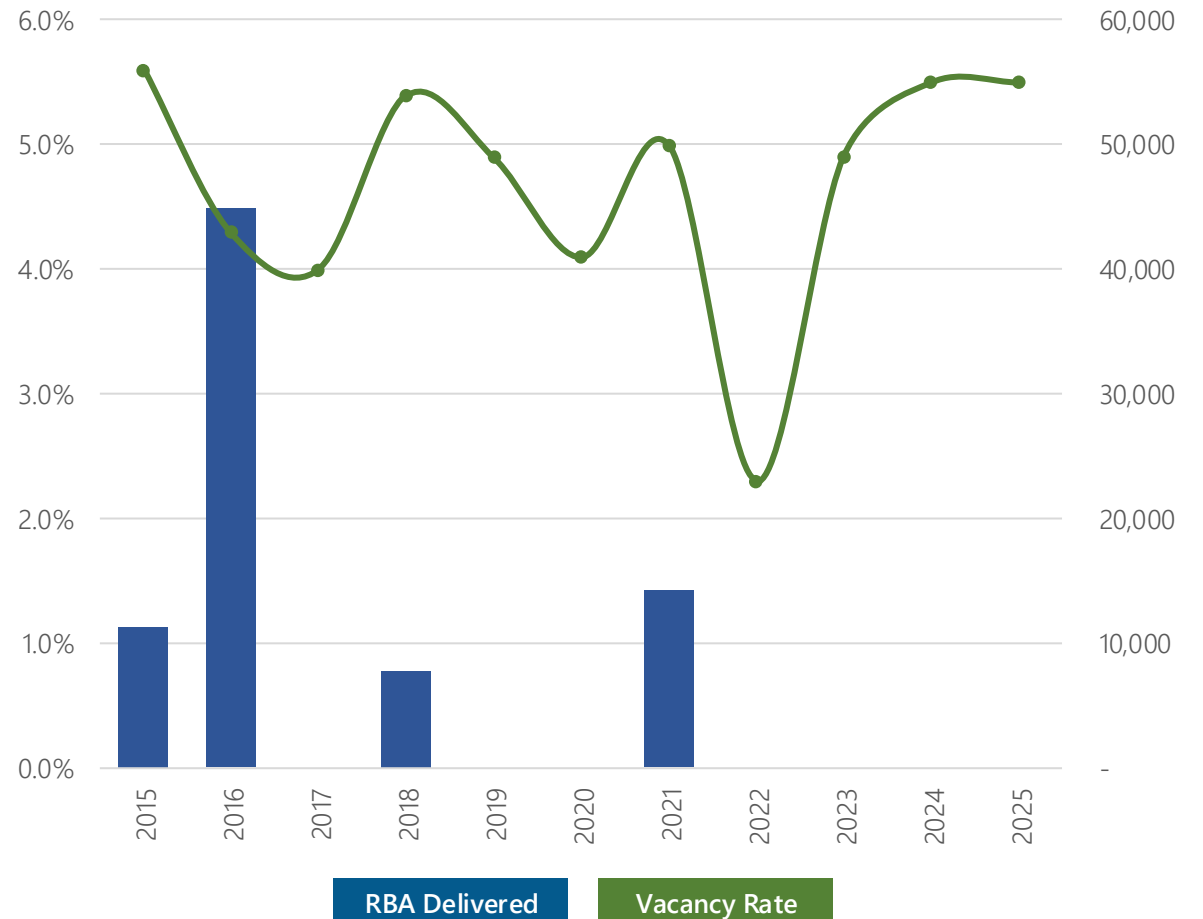
MEDICAL OFFICE DEVELOPMENT & VACANCY

Vacancy for medical office has remained below six percent over the last decade

- There have only been four medical office developments since 2015, with the most recent one occurring in 2021
- Vacancy rates have typically ranged between 4-6% since 2015 and dropping to as low as 2.3% in 2022. The current vacancy rate sits at 5.5%



Medical Office Vacancy and Deliveries by RBA, 2015-2025



MEDICAL OFFICE LAND USE RECOMMENDATIONS

The Ambulatory Health Care sector in VB is projected to grow by 527 employees by 2035

Sector	Projected Employment Growth in Virginia Beach by 2035	Assumed Employment Density	Estimated Building SF Needed to Meet Proj. Employment Growth by 2035
Ambulatory Health Care Services	527	200-300 SF per employee	105,000-158,000 SF (Rounded)

Preliminary Impact Assessment





Employment	1 employee	per 200-400 SF of new development
	0.172	Indirect Jobs per 1 direct job
	0.299	Induced Jobs per 1 direct job
	\$72,798	Direct Earnings per 1 direct job
	\$9,493	Indirect Earnings per 1 direct job
	\$16,500	Induced Earnings per 1 direct job
Real Estate Taxes	\$210/SF in Assessed Value	
	\$2.04/SF in Property Taxes	

- Medical office development in the region is typically associated with major health networks, like Sentara Healthcare, Bon Secours Mercy Health, and Chesapeake Regional Healthcare. Interviews with real estate professionals indicated that there is minimal independent medical office development occurring in the region.
- Sentara Princess Anne Hospital is the closest medical facility to the ITA. Sentara appears to have available pad sites at the northeast end of its campus that it owns. These sites could accommodate further medical office development, though the extent and timeline of any development is uncertain.
- Given regional development patterns and the availability of pad sites near the hospital, the ITA's capture of medical offices is likely to be minimal.
- We do not recommend allocating land designated solely for medical office development within the ITA.
- Preliminary estimates of the employment- and property tax-related impacts of medical office development are presented to the right.

Conclusions

LAND USE RECOMMENDATIONS

There is market potential in the ITA for industrial and limited retail development

	 INDUSTRIAL	 RETAIL	 HOSPITALITY	 MEDICAL OFFICE
DEMAND POTENTIAL	<p>There is moderate potential for new industrial development in the ITA. Projected employment growth in the Manufacturing and the Transportation and Warehousing sectors could drive development of up to 1.0 million SF of new industrial development by 2035. There may also be an opportunity to capture smaller-format industrial development.</p>	<p>Given the limited residential population in the area, where is limited potential within the ITA for large-scale retail development. Based on capture of consumer spending and retail sales per SF for common typologies, there could be potential for up to 30,000 SF of retail, with limited-service restaurants and small-scale consumer goods as key opportunities.</p>	<p>Virginia Beach hotels—particularly Midscale and Upper Midscale—properties exhibit high occupancy on average. A proposed 112-room hotel on Princess Anne Road is likely to capture any excess demand. Further hotel development could be warranted but would depend on further expansion of sports tourism or other drivers of increased room-nights.</p>	<p>Medical office development in the region is typically associated with major health networks. Sentara appears to have available pad sites at the northeast end of its campus that could accommodate further medical office development. Therefore, the ITA's capture of any future medical office development is likely to be minimal.</p>
EMPLOYMENT	<p>Manufacturing: 1 employee per 500-800 SF of new development</p> <p>Other Industrial: 1 employee per 1,000-1,500 SF of development</p>	<p>Retail: 1 employee per 400-600 SF of new development</p> <p>Restaurant: 1 employee per 200 SF of new development</p>	<p>1-1.5 employees per new hotel key</p>	<p>1 employee per 200-400 SF of new development</p>
TAXES	<p>\$150/SF in Assessed Value</p> <p>\$1.46/SF in Property Taxes</p>	<p>\$200/SF in Assessed Value</p> <p>\$1.94/SF in Property Taxes</p>	<p>\$225/SF in Assessed Value</p> <p>\$2.18/SF in Property Taxes</p>	<p>\$210/SF in Assessed Value</p> <p>\$2.04/SF in Property Taxes</p>

Final slide



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