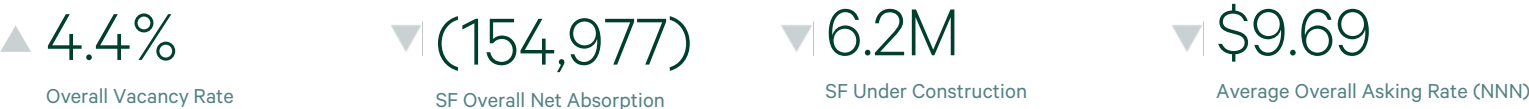


FIGURES | NORFOLK INDUSTRIAL | Q1 2025

# Spec Delivery Pushes Vacancy Up; Pipeline Remains Steady



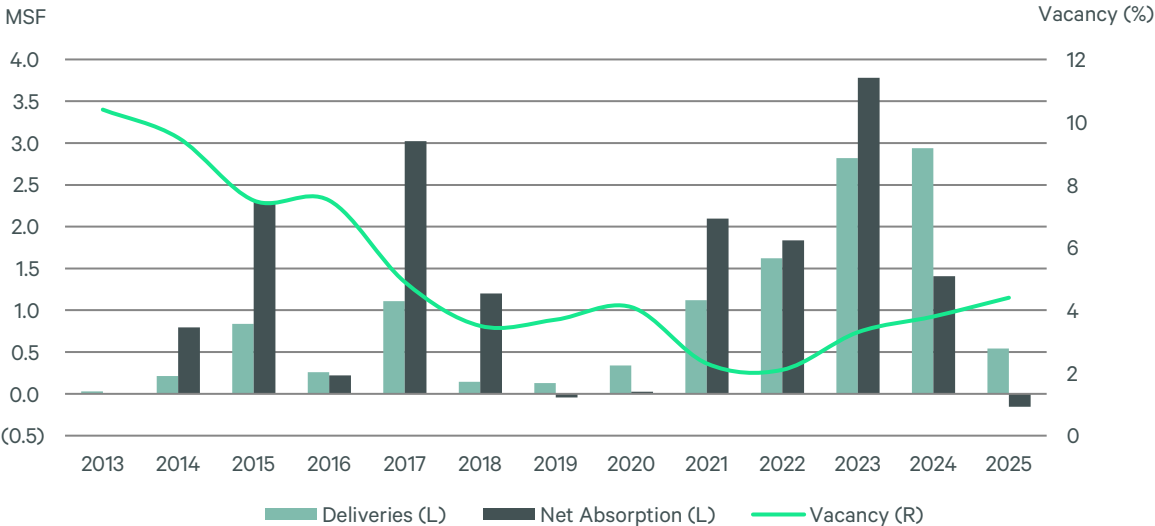
Note: Arrows indicate change from previous quarter.

The Norfolk industrial and logistics market recorded 155,000 sq. ft. of negative absorption during the first quarter, with just three move-ins larger than 20,000 sq. ft. recorded. In the largest move in, Winsupply took occupancy of 23,400 sq. ft. at 5465 Greenwich Road. Conversely, large move outs such as Transnational Food vacating 169,400 sq. ft. at 201 West Dexter Street drove overall absorption during the first quarter.

The completion of the speculative Phenix Commerce Center Building One added 540,500 sq. ft. of new vacancy to the market, pushing the overall vacancy rate up 60 basis points (bps) to 4.4%. In total, 6.2 million sq. ft. remains under construction across the Norfolk industrial market, of which 40% is speculative.

Sustained low vacancy rates paired with economic uncertainty have caused a slowdown in leasing activity. Tenants signed 17 leases totaling 510,600 sq. ft. during the first quarter, a steep decline from a strong Q4 2024. However, more than two-thirds of all leases signed during the quarter were relocations, signaling an uptick in expected occupancy gains in coming quarters.

FIGURE 1: Historical Supply & Demand Dynamics



Source: CBRE

## Leasing Snapshot

### Third Party Logistics (3PLs)

Third Party Logistics tenants were the most active during the first quarter, accounting for 51% of all activity as three 3PL tenants leased a combined 229,700 sq. ft. The largest was US Elogistics’ 149,700 sq. ft lease at building two of the Phenix Commerce Center in the Copeland submarket. Tri Star Freight, a Texas-based freight and logistics company, signed a 44,200 sq. ft. lease at 1965 Northgate Commerce Parkway in Suffolk and Fracht FWO signed a lease to expand its existing industrial footprint in Virginia with a new facility at 5732 Bayside Road in Virginia Beach.

### General Retail & Wholesale

Retail and wholesale tenants signed leases totaling 68,000 sq. ft., capturing 15% of activity. Fortune 500 plumbing supplier Ferguson Enterprises renewed its 48,541 sq. ft. lease at 2301 Aluminum Avenue in Hampton. Additionally, flooring retailer and wholesale supplier Rite Rug Co. signed a new lease for 19,800 sq. ft. at 1345 Taylor Farm Road in the Lynnhaven submarket.

### Manufacturing

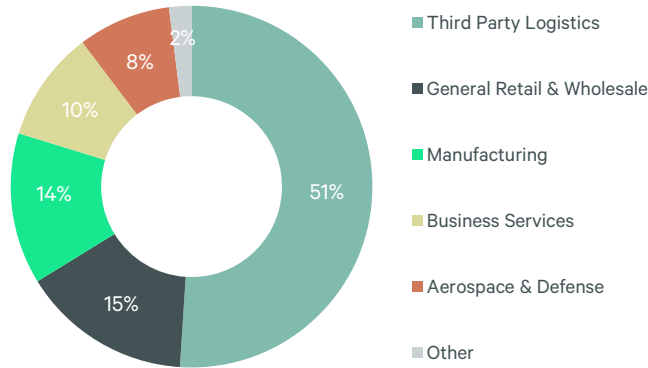
Manufacturing tenants captured 14% of leasing activity, totaling 60,900 sq. ft. Of note, Bakefresh Manufacturing, a manufacturer of baked goods such as donuts, muffins, and cookies, renewed its 46,600 sq. ft. lease at 2220 Paramount Avenue in the Greenbrier submarket. Bakefresh supplies fresh baked goods to several large-scale retail outlets such as 7-Eleven convenience stores and local Dunkin Donuts franchises.

FIGURE 2: Select Q1 2025 Lease Transactions

Tenant	Industry	Address	Submarket	Lease Type	SF
US Elogistics	Third Party Logistics	30 Aberdeen Rd	Copeland / Lower Peninsula	New Lease	149,685
Ferguson Enterprises	General Retail & Wholesale	2301 Aluminum Ave	Copeland / Lower Peninsula	Renewal	48,541
Bakefresh Manufacturing	Manufacturing	2220 Paramount Ave	Greenbrier	Renewal	46,600
Tri Star Freight	Third Party Logistics	1965 Northgate Commerce Pkwy	Suffolk	New Lease	44,200
Top Notch Commercial Service	Business Services	2701 Saint Julian Ave	Norfolk Industrial Park	New Lease	39,914
Fracht FWO	Third Party Logistics	5732 Bayside Rd	Airport Industrial Park	New Lease	35,777
Rite Rug Co.	General Retail & Wholesale	1345 Taylor Farm Rd	Lynnhaven	New Lease	19,875
Vectrus Systems Corp.	Aerospace & Defense	713 Fenway Ave	Cavalier Industrial Park	Renewal	19,200

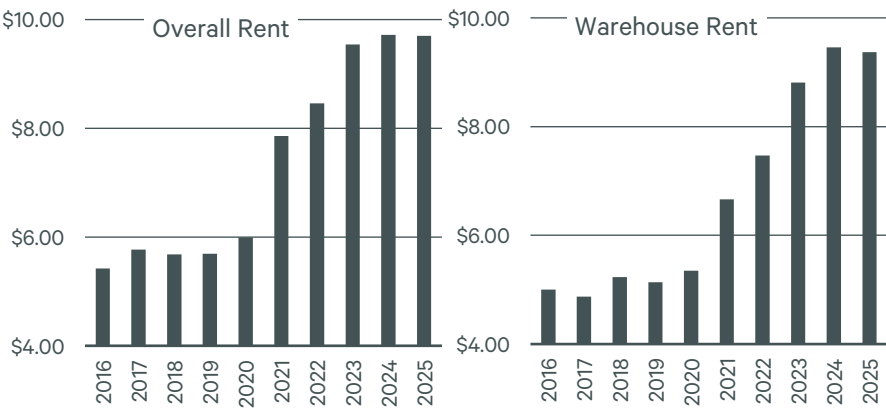
Source: CBRE

FIGURE3: 2025 Gross Leasing by Sector (Share by SF)



Source: CBRE

FIGURE 4: Historical Rent Growth (\$/SF)



Source: CBRE

## Development Activity

No industrial properties broke ground during the first quarter. Building 1 of the Phenix Commerce Center delivered, adding 540,500 sq. ft of speculative space to the market. The City of Hampton Workforce Development will occupy 5,690 sq. ft. at the property, but the remainder of the space remains available for lease. In total, 15 properties totaling 6.2 million sq. ft. remain under construction across the Norfolk market. The largest speculative project is Phase II of the Coastal Logistics Center, a 716,500 sq. ft. warehouse located at 700 Carolina Road.

Three built-to-suit projects are under construction and will add 3.7 million sq. ft. to the Norfolk industrial market upon delivery. Most significantly, Amazon is constructing a 3.25 million sq. ft. robotic fulfillment center at 2500 Harpers Road in the Lynnhaven submarket. Amazon is already a top employer in the Virginia Beach area, and this new facility, along with the adjacent delivery station, has the potential to create more than 1,000 new jobs.

FIGURE 5: Notable Projects Under Construction

Type	Project Name	Address	Submarket	SF	Pct Leased	Tenant	Delivery	Developer / Owner
Speculative	Coastal Logistics Center Phase II	700 Carolina Rd	South Suffolk	716,527	0%	-	Q2 2025	Flint Development
	Hampton Logistics Center	1008 & 1012 North Campus Pky	Copeland	506,408	0%	-	Q2 2025	Manekin LLC
	-	405 Network Station	Bainbridge	19,200	25%	-	Q2 2025	Whitman Development Group
	460 Commerce Center	12375 William a Gwaltney	Isle of Wight	352,000	0%	-	Q3 2025	Isle of Wight County Economic Development
	Virginia Port Logistics Center – Lot 9	2100 Enterprise Dr	Suffolk	168,000	0%	-	Q3 2025	Equus Capital Partners
	Greenbrier Commerce Center	Woodlake Cir	Bainbridge	87,360	0%	-	Q3 2025	Hoffler Land Solutions
	Port 460 Logistics Center Buildings 1 & 2	2925 Pruden Blvd	South Suffolk	586,100	0%	-	Q4 2025	Matan
	-	4004 Seabord Ct	Portsmouth	23,980	0%	-	Q4 2025	-
Build-to-Suit	Amazon Fulfillment	2500 Harpers Rd	Lynnhaven	3,250,000	Owned	Amazon	Q2 2025	Panattoni Development
	757 Freeze	130 Maya Way	Suffolk	239,765	Owned	FreezPak Logistics	Q2 2025	Karis Cold
	Road One Transload	1996 Northgate Commerce Pkwy	Suffolk	227,000	100%	Road One Intermodal	Q2 2025	Industrial Realty Group

Source: CBRE

## Economic Outlook

Policy speculation and announcements are now the key drivers of macro expectations and financial markets. The reality of material trade conflicts this year is now paired with realized softer economic data. Some of this could be due to firms taking a ‘wait-and-see’ approach as they digest changing trade policy. Consumer sentiment has declined noticeably, albeit much more than actual spending. Consequently, CBRE has revised its GDP growth outlook for this year down to just below 2%.

Despite policy uncertainty, credit markets are more accommodative, with tighter spreads and more issuance compared to a few quarters ago. More fluid credit markets have yet to translate into stronger sales volume, as many institutional owners and reams of dry powder capital remain on the sidelines. The continuation of accretive credit trends and eventual deployment of dry powder will depend on the impact of new policies. Should they prove more inflationary, this would erode recent capital markets progress. If not, and macro impacts are limited, this could give the Fed a green light for further cuts and help unlock monies waiting on the sidelines.

FIGURE 6: Employment Growth by Industry, 12-Month Percent Change

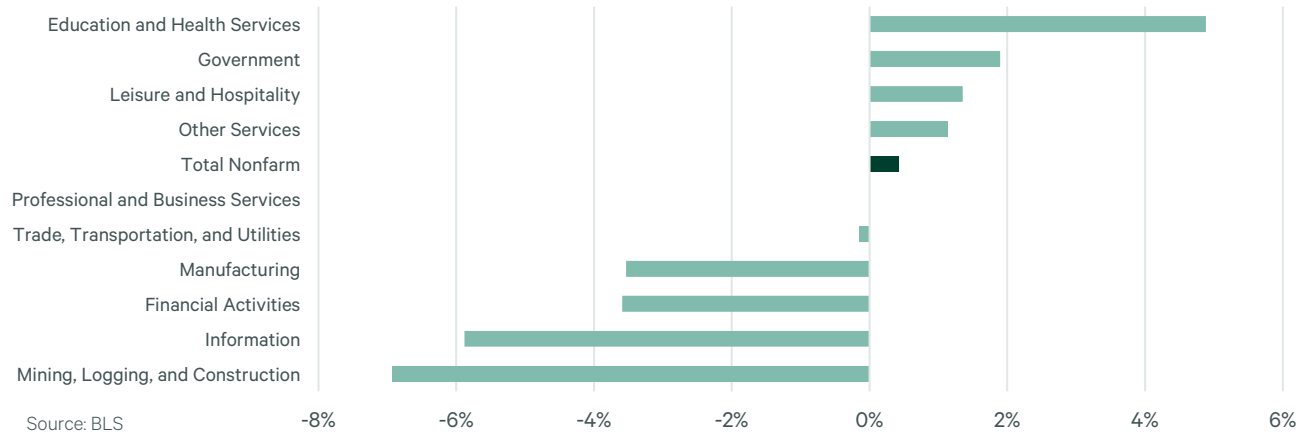


FIGURE 7: Unemployment Rate

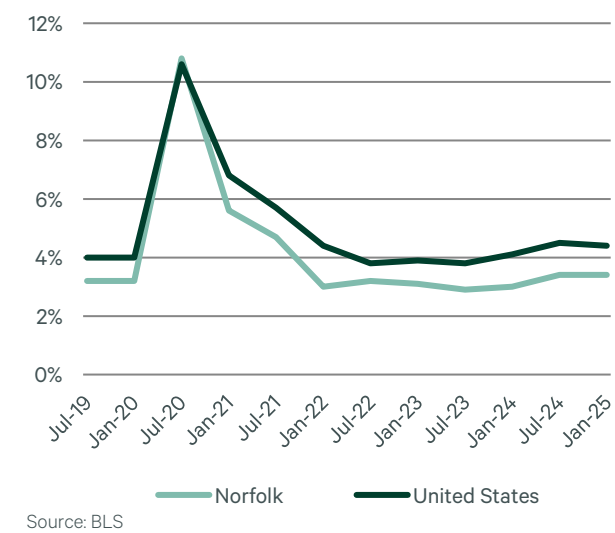


FIGURE 8: Consumer Price Index, 12-Month Percent Change

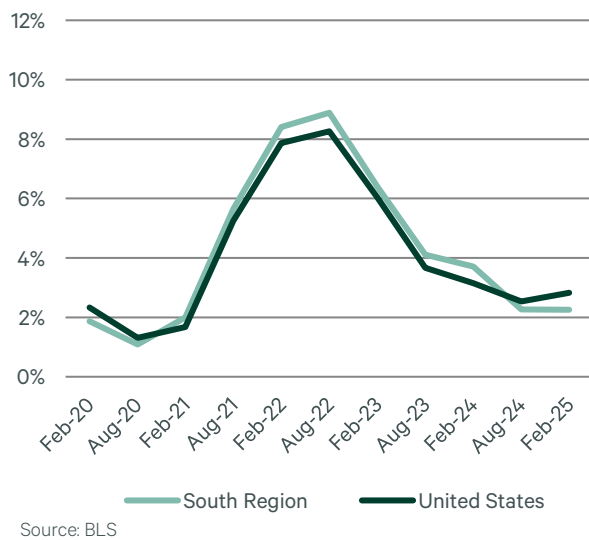


FIGURE 9: Key Market Statistics

	Location	Inventory (SF)	Overall Vacancy Rate (%)	Q1 2025 Net Absorption (SF)	2025 YTD Net Absorption (SF)	NNN Asking Rent (\$/SF)	Under Construction (SF)
Warehouse	Southside	76,618,622	4.2	(270,394)	(270,394)	9.55	5,326,132
	Peninsula	28,177,459	5.2	18,028	18,028	8.57	506,408
	Overall	104,796,081	4.4	(252,366)	(252,366)	9.37	5,832,540
Flex	Southside	10,626,658	4.1	87,148	87,148	12.44	37,960
	Peninsula	2,230,881	2.7	10,241	10,241	10.06	-
	Overall	12,857,539	3.9	97,389	97,389	12.17	37,960
Overall	Southside	87,245,280	4.2	(183,246)	(183,246)	9.90	5,708,192
	Peninsula	30,408,340	5.0	28,269	28,269	8.68	506,408
	Overall	117,653,620	4.4	(154,977)	(154,977)	9.69	6,214,600

Source: CBRE

Survey Criteria:

Includes all classes of competitive single and multi-tenant industrial buildings 10,000 sq. ft. and greater in Norfolk. As of Q1 2024, now includes owner-occupied buildings that meet the aforementioned criteria

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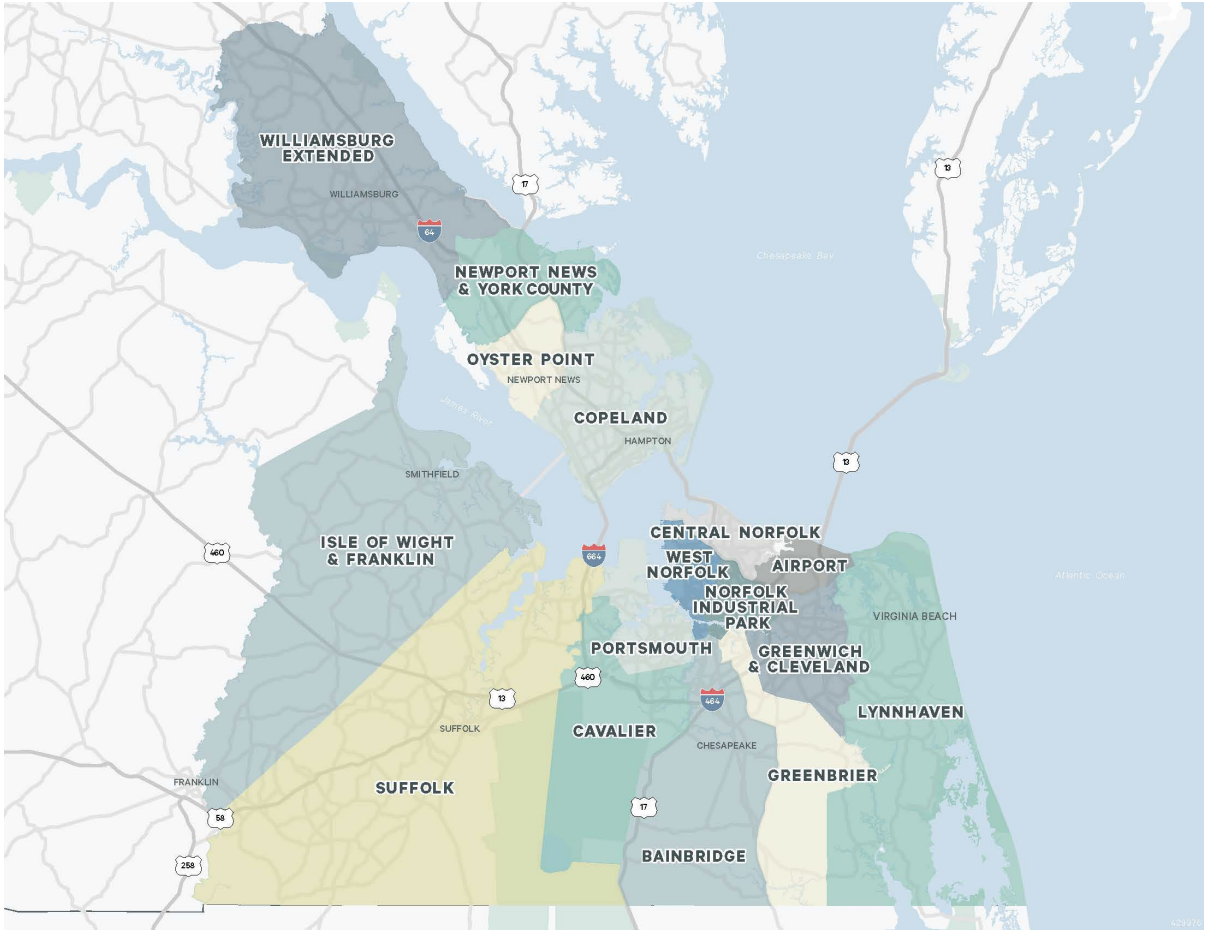
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