Vacancy Remains Static During Quiet Fourth Quarter

▶ 10.9%
Vacancy Rate

▼ (51,945)
SF Net Absorption

▼ 0
SF Deliveries

▲ $21.90
Average Gross Asking Rate

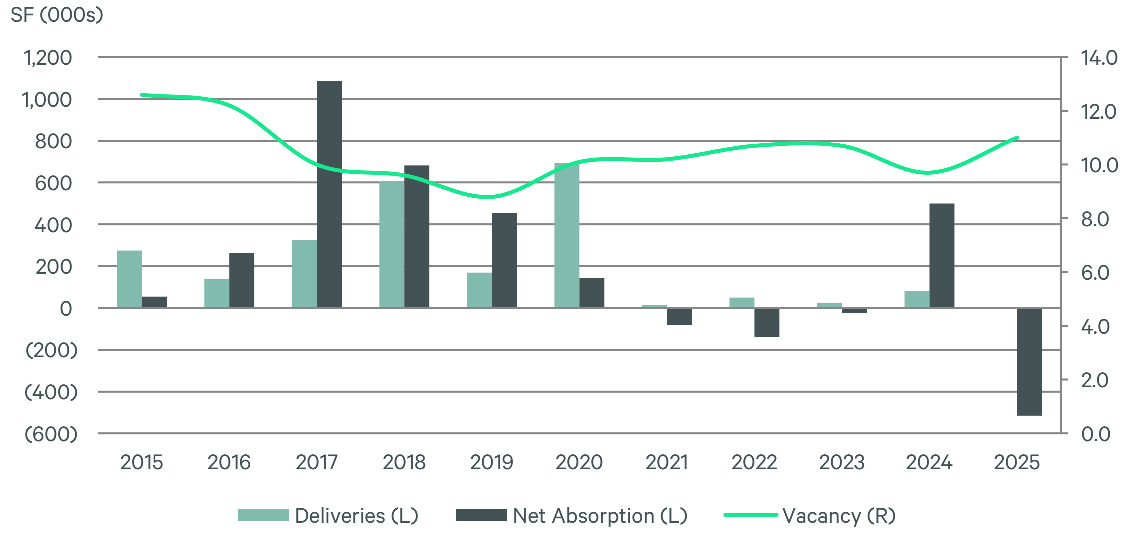
Note: Arrows indicate change from previous quarter.

The Norfolk office market recorded 51,945 sq. ft. of negative absorption during the third quarter. The largest move in of the quarter was Xylem Tree Services' move into 52,000 sq. ft. at 150 Granby Street. The largest space to become vacant was 58,035 sq. ft. at Oxford Plaza which is located at 1 Enterprise Parkway in Hampton and is now fully vacant. Large move-outs like this one narrowly outpaced occupancy gains for the third consecutive quarter, yielding negative net absorption for the year.

Despite occupancy loss during the quarter, the overall vacancy rate for the market held at 10.9%. While this is an increase year-over-year, the vacancy rate remains relatively healthy and among the lowest across Mid-Atlantic markets. Asking rates edged up to $21.90 per sq. ft. per annum on a full-service basis and availability is still relatively low at 11.9%.

Activity increased from the prior quarter, with 293,000 sq. ft. of leasing spread across 41 transactions. Of these, 73% were relocations. Just eight transactions were larger than 10,000 sq. ft.

FIGURE 1: Historical Supply & Demand Dynamics



Source: CBRE

© 2025 CBRE, INC.

Leasing Snapshot

Aerospace & Defense

The largest lease of the quarter was signed by Booz Allen Hamilton. The aerospace and defense giant renewed its 44,934 sq. ft. lease at 5800 Lake Wright Drive in the Central Norfolk submarket. This location provides proximity to various government and military operations in Norfolk and the surrounding area, and the company has maintained its presence in the building since 2007. Boeing, the world's largest aerospace company, also signed a renewal this quarter, keeping its 10,362 sq. ft. footprint at 11820 Fountain Way in the Oyster Point submarket. Aerospace & Defense tenants contributed 15% of gross leasing activity in 2025.

Finance and Insurance

Financial services tenants accounted for 24% of annual gross leasing activity. Chubb Insurance leased 33,551 sq. ft. at 1434 Crossways Boulevard in Chesapeake. This is a contraction from their current Chesapeake location at 600 Independence Parkway where they occupy 55,161 sq. ft.

Business Services

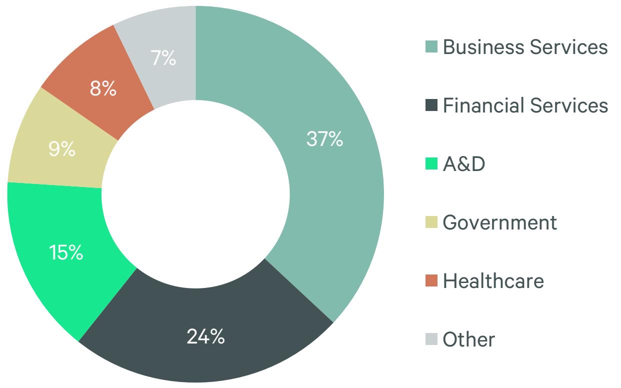
Business Services tenants have also been active this quarter and made up 37% of gross leasing activity in 2025. Wall Einhorn & Chernitzer PC renewed 24,476 sq. ft. at 150 W Main Street in the Downtown submarket. The accounting firm supports both private and non-profit corporations and was recently acquired by Eide Bailly. The Fishel Company also renewed 17,867 sq. ft. at 676 Independence Parkway for their engineering office in Chesapeake.

FIGURE 2: Notable Q4 2025 Lease Transactions

Tenant	Industry	Address	Submarket	Lease Type	SF
Booz Allen Hamilton	Aerospace & Defense	5800 Lake Wright Dr	Central Norfolk	Renewal	44,934
Chubb Insurance	Financial Services	1434 Crossways Blvd	Chesapeake / Greenbrier	New Lease	33,551
Wall Einhorn & Chernitzer PC	Business Services	150 W Main St	Downtown	Renewal	24,476
The Fishel Co.	Business Services	676 Independence Pkwy	Chesapeake / Greenbrier	Renewal	17,867
Undisclosed Tenant	Other	6340 Center Dr	I-64 / I-264 Corridor	New Lease	14,304
Gryphon Technologies	Technology	870 Greenbrier Cir	Chesapeake / Greenbrier	Renewal	13,910
MI Technical Solutions	Technology	860 Greenbrier Cir	Chesapeake / Greenbrier	Expansion	11,048
The Boeing Company	Aerospace & Defense	11820 Fountain Way	Oyster Point	Renewal	10,362

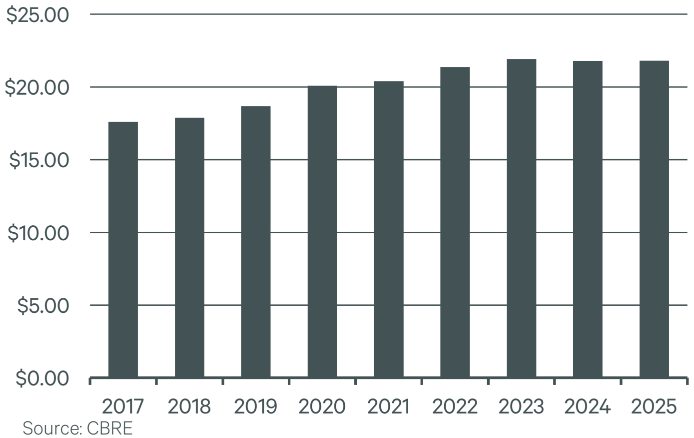
Source: CBRE

FIGURE 3: 2025 Gross Leasing by Sector (Share by SF)



Source: CBRE

FIGURE 4: Historical Rent Growth



Source: CBRE

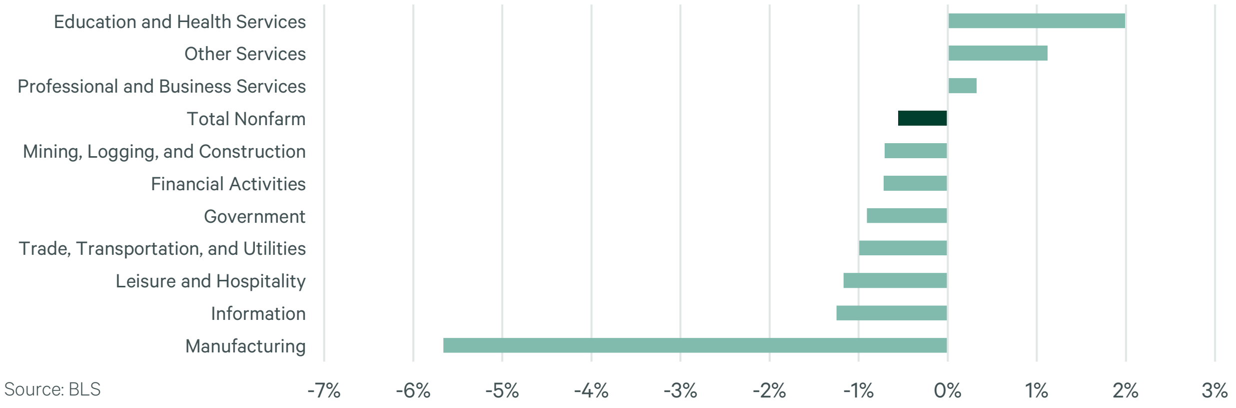
© 2025 CBRE, INC.

Economic Outlook

The U.S. economy is sending some mixed signals. Financial markets are focused on the upside, particularly AI's sizable contribution to growth in recent quarters. Some indicators of business activity, such as capital goods orders, are improving, and strengthening credit markets are helping to usher real estate into a new cycle.

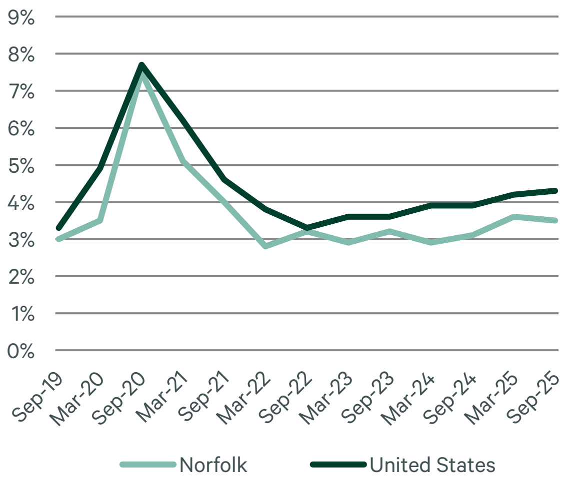
The picture gets more melancholy when looking at households. Consumer confidence remains weak, with spending reportedly driven by a smaller segment of affluent households. This mosaic of data suggests that annual average GDP growth will be steady in 2026, at 2%, but a touch softer than in 2025. A key catalyst is a softer labor market, as companies are 'slow to hire, slow to fire'—a trend that is likely to last a few quarters. A consequence of this outlook is softer inflation and long-term bond yields trending just below 4% by H2 2026.

FIGURE 5: Employment Growth by Industry, 12-Month Percent Change



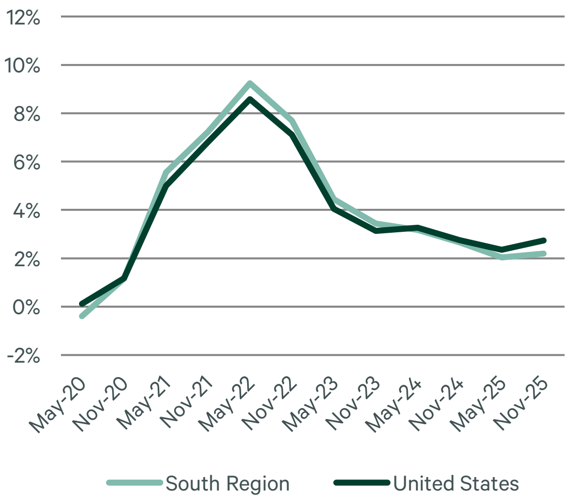
Source: BLS

FIGURE 6: Unemployment Rate



Source: BLS

FIGURE 7: Consumer Price Index, 12-Month Percent Change



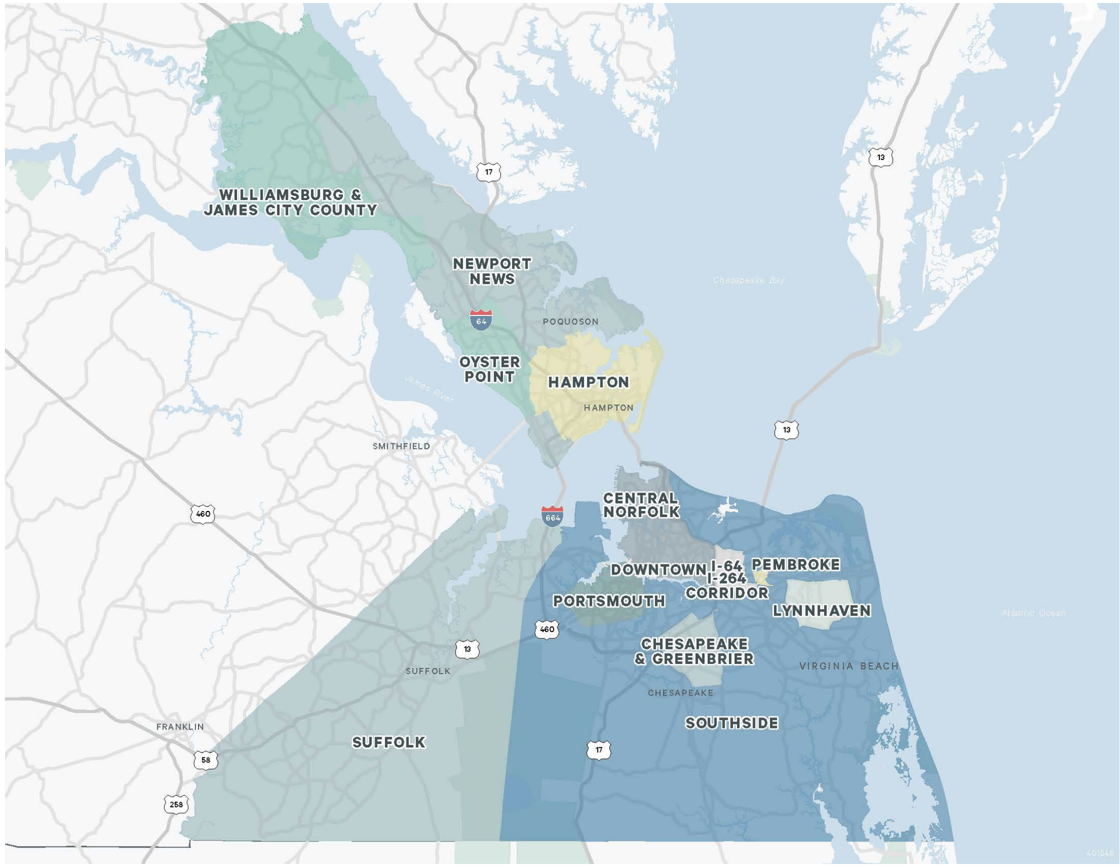
Source: BLS

© 2025 CBRE, INC.

FIGURE 8: Key Market Statistics

	Number of Buildings	Inventory (SF)	Overall Vacancy Rate (%)	Q4 2025 Net Absorption (SF)	2025 Net Absorption (SF)	Gross Asking Rent ($)	Under Construction (SF)
Central Norfolk	80	3,174,897	8.2	(17,052)	(23,941)	22.13	-
Chesapeake & Greenbrier	95	4,094,411	15.6	41,476	(159,797)	21.41	-
Downtown Norfolk	47	4,181,267	16.1	17,438	11,113	27.48	-
I-64 / I-264 Corridor	79	2,573,245	8.2	(12,076)	(25,913)	23.72	-
Lynnhaven	37	1,569,205	16.0	(42,464)	(84,064)	21.33	-
Pembroke	31	2,200,076	11.7	(6,908)	(79,458)	25.19	-
Portsmouth	33	850,925	7.5	(21,465)	(23,278)	18.62	-
Remaining Southside	216	4,923,976	7.4	38,940	48,030	20.03	-
Suffolk	57	1,674,536	4.4	30,529	(13,434)	20.89	-
Hampton	73	3,788,149	21.3	(94,395)	(163,164)	17.69	-
Newport News	38	1,839,809	1.7	(2,024)	(3,184)	17.94	-
Oyster Point	121	3,979,756	6.5	21,628	30,779	22.13	-
Williamsburg	63	1,155,805	2.0	(5,572)	17,276	19.08	-
Overall	970	36,006,057	10.9	(51,945)	(469,035)	21.90	-

Source: CBRE



CBRE Mid-Atlantic Research began using a proprietary database for office properties in mid-2024. Beginning Q3 2024, statistics and trends reported in previous reports likely changed due to our revised data methodologies. The information contained in this report references office properties 10,000 square feet or larger (excluding owner-occupied) located in submarkets shown on the above map.

Contacts

Katrina Subick
Research Analyst
katrina.subick@cbre.com

Erin Janacek
Research Manager
erin.janacek@cbre.com

Stephanie Jennings
Research Director
stephanie.jennings@cbre.com

© Copyright 2025. All rights reserved. The views and opinions in these articles belong to the author and do not necessarily represent the views and opinions of CBRE. Our employees are obliged not to make any defamatory clauses, infringe or authorize infringement of any legal rights. Therefore, the company will not be responsible for or be liable for any damages or other liabilities arising from such statements included in the articles.