

FIGURES | NORFOLK OFFICE | Q1 2025

Norfolk Office Market Posts Fifth Consecutive Quarter of Positive Absorption



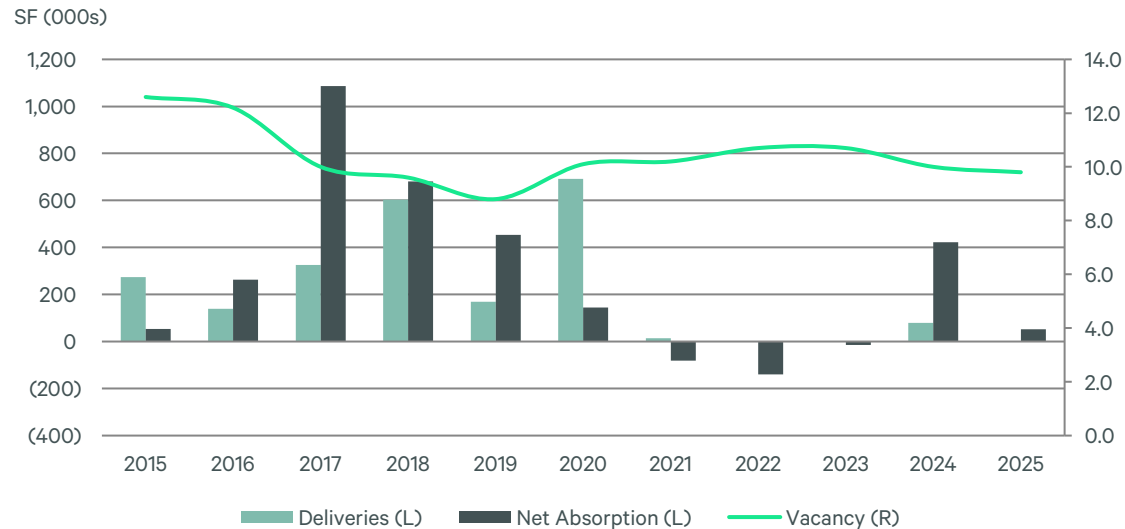
Note: Arrows indicate change from previous quarter.

The Norfolk office market recorded four consecutive quarters of occupancy gain in 2024. That trend continued into the first quarter of 2025, with 51,500 sq. ft. of positive net absorption. The largest move-in during the quarter was VSC Fire & Security’s occupancy of 32,600 sq. ft. at 850 Greenbrier Circle in the Chesapeake/Greenbrier submarket.

Occupancy gains during the quarter resulted in a 10-basis point (bps) decline in the overall vacancy rate, which now sits at 9.8%. Most Norfolk submarkets have vacancy rates in the single-to-low-double digits, though some have outsized levels of vacant space. Hampton currently has the highest vacancy rate of all submarkets at 19.2% and recorded and 16,500 sq. ft. of occupancy loss during the first quarter.

Despite occupancy gain for the overall market, leasing was muted to start the year with just 12 tenants signing leases totaling 197,900 sq. ft. The majority (83%) of transactions were relocations, with just two renewals during the first quarter. Asking rates held steady at \$21.85 per sq. ft. per annum on a full-service basis.

FIGURE 1: Historical Supply & Demand Dynamics



Source: CBRE

Leasing Snapshot

Business & Financial Services

The business and financial services sector was the most active during the first quarter, with tenants leasing 114,200 sq. ft. across 6 transactions and accounting for 58% of all activity. Armed Services YMCA inked the largest deal, with a 37,000 sq. ft. new lease at 3629 Sentara Way. VSC Fire & Security leased 32,600 sq. ft. at 850 Greenbrier Circle.

Education & Medical (Eds & Meds)

Tenants in the education and medical industries accounted for 17% of leasing, with two leases totaling 33,500 sq. ft. South University renewed its 27,500 sq. ft. space at 301 Bendix Road in the Pembroke submarket and Aviv Recovery signed a new lease for 6,000 sq. ft. at 236 Clearfield Avenue in the I-64/I-264 Corridor submarket.

Government

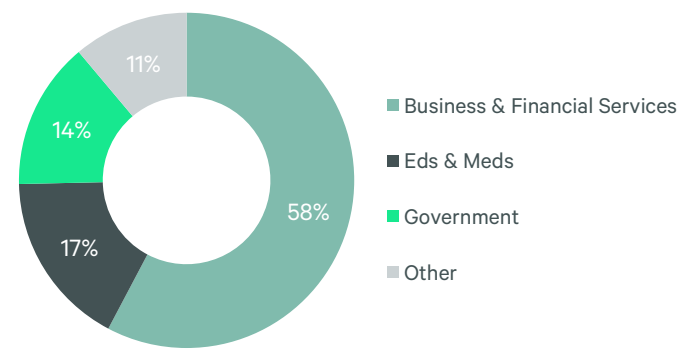
Only one government tenant signed a lease during the first quarter, accounting for 14% of total activity. The US Government Fleet Human Resources Office renewed its 28,151 sq. ft. footprint at 1151 Azalea Garden Road in Central Norfolk, retaining proximity to military operations in the area.

FIGURE 2: Notable Q1 2025 Lease Transactions

Tenant	Industry	Address	Submarket	Lease Type	SF
Armed Services YMCA	Business & Financial Services	3629 Sentara Way	Southside	New Lease	37,031
VSC Fire & Security	Business & Financial Services	850 Greenbrier Cir	Chesapeake / Greenbrier	New Lease	32,590
US Government Fleet Human Resources Office	Government	1151 Azalea Garden Rd	Central Norfolk	Renewal	28,151
South University	Eds & Meds	301 Bendix Rd	Pembroke	Renewal	27,468
Armada Hoffler	Business & Financial Services	283 Constitution Dr	Pembroke	New Lease	19,335

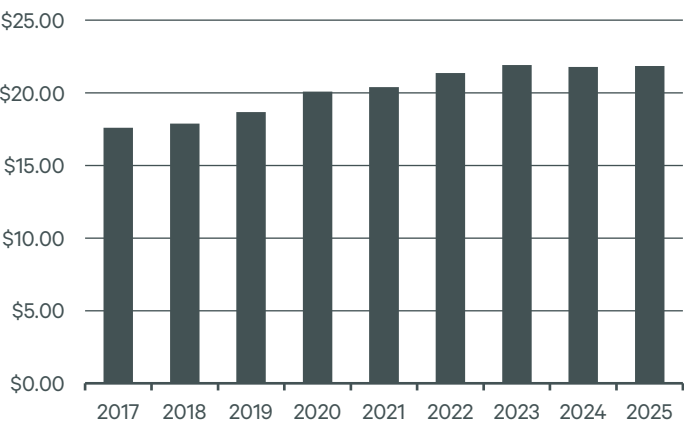
Source: CBRE

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



Source: CBRE

FIGURE 4: Historical Rent Growth



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

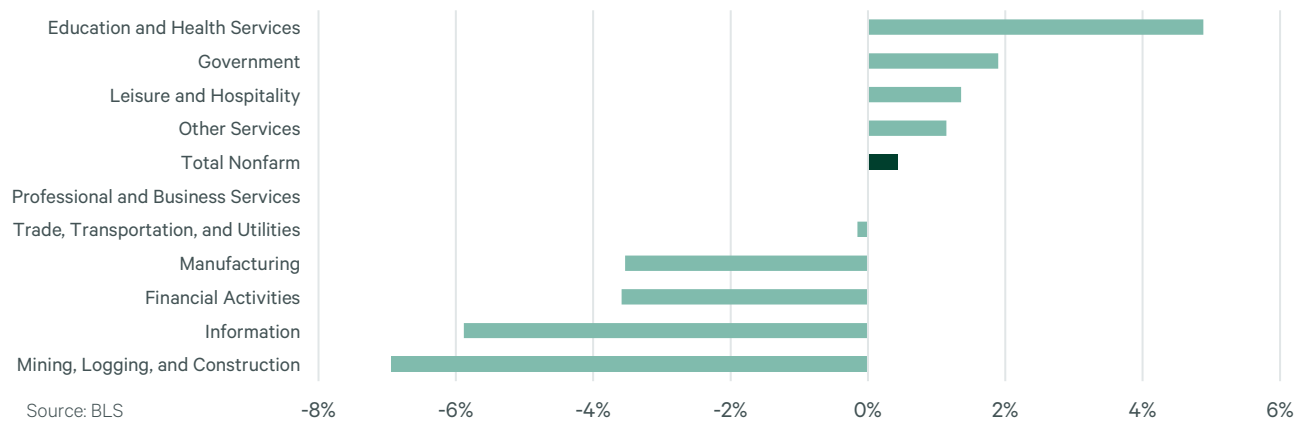


FIGURE 6: Unemployment Rate

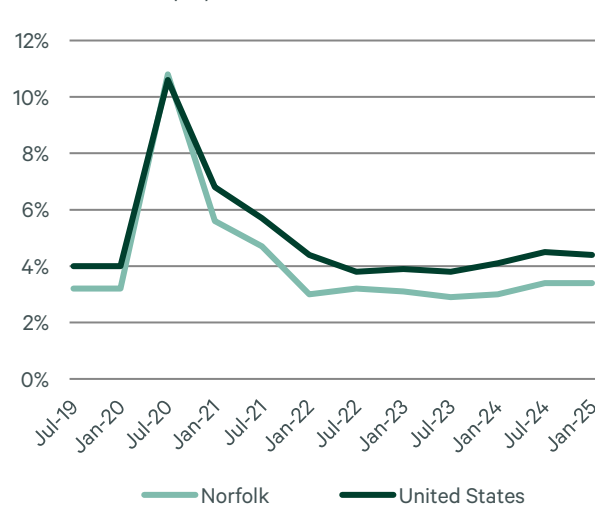


FIGURE 7: Consumer Price Index, 12-Month Percent Change

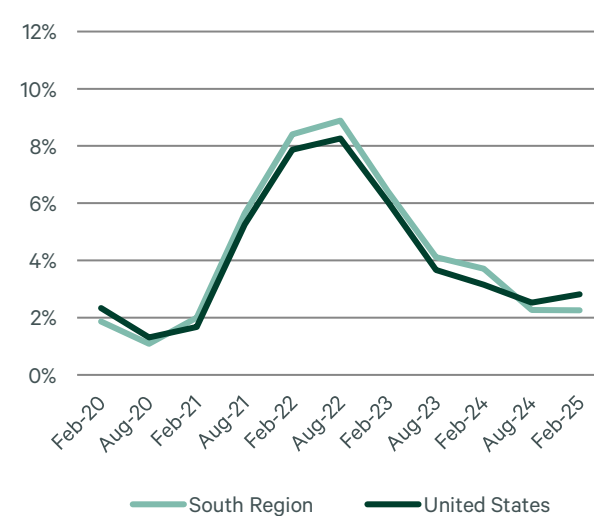
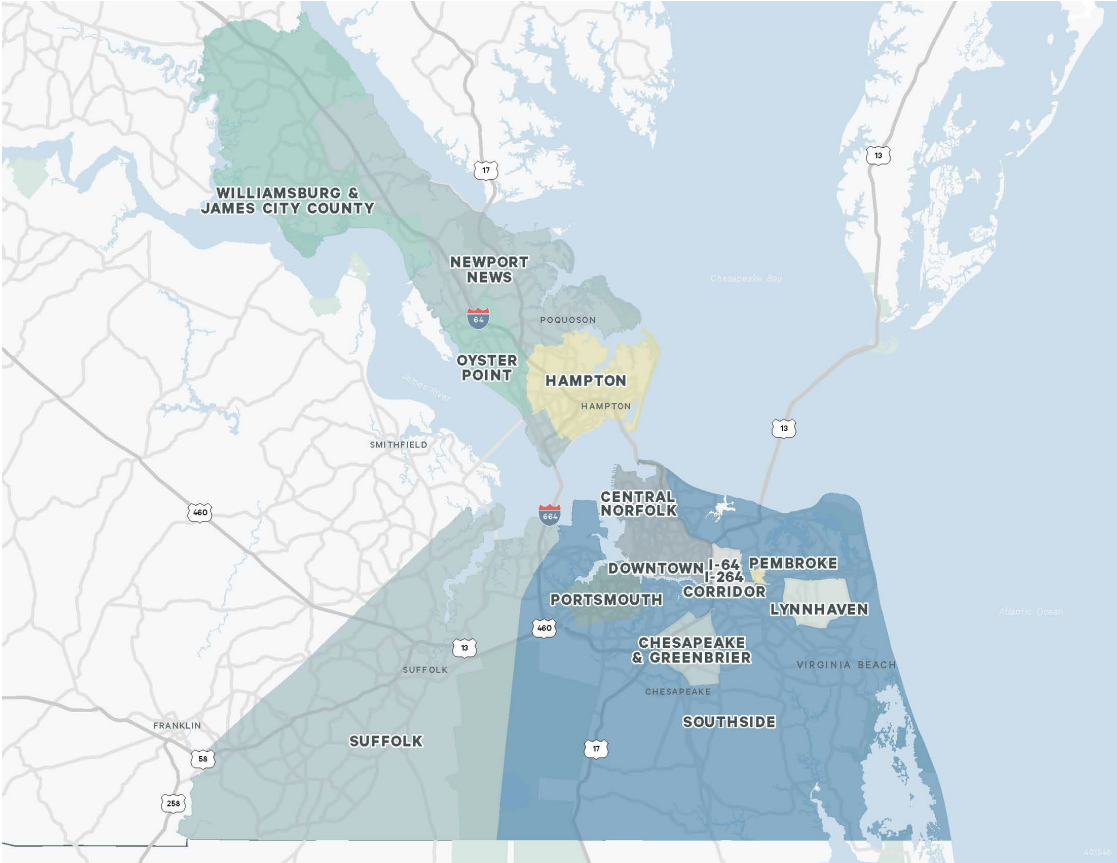


FIGURE 8: Key Market Statistics

	Number of Buildings	Inventory (SF)	Overall Vacancy Rate (%)	Q1 2025 Net Absorption (SF)	2025 Net Absorption (SF)	Gross Asking Rent (\$)	Under Construction (SF)
Central Norfolk	81	3,222,897	7.3	1,903	1,903	21.91	-
Chesapeake & Greenbrier	95	4,081,324	10.7	42,612	42,612	21.43	-
Downtown Norfolk	47	4,126,582	16.5	4,087	4,087	27.07	-
I-64 / I-264 Corridor	79	2,572,128	7.2	(2,336)	(2,336)	22.73	-
Lynnhaven	37	1,569,205	8.8	28,065	28,065	20.44	-
Pembroke	31	2,200,076	8.2	6,903	6,903	24.37	-
Portsmouth	33	850,925	5.2	(3,702)	(3,702)	18.43	-
Remaining Southside	216	4,921,474	8.2	8,183	8,183	20.39	-
Suffolk	57	1,675,243	4.3	(11,463)	(11,463)	22.41	-
Hampton	73	3,779,090	19.2	(16,170)	(16,170)	17.73	-
Newport News	38	1,857,323	1.8	(4,940)	(4,940)	17.31	-
Oyster Point	124	4,165,047	9.0	(6,271)	(6,271)	20.92	-
Williamsburg	63	1,155,805	3.1	4,680	4,680	19.15	-
Overall	974	36,177,119	9.8	51,551	51,551	21.85	-

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