

FIGURES | NORFOLK INDUSTRIAL | Q4 2025

# Speculative Deliveries Outpace Occupancy Gain

▲ 6.5%

Overall Vacancy Rate

▼ 66,168

SF Overall Net Absorption

▼ 265,250

SF Under Construction

▼ \$9.32

Average Overall Asking Rate (NNN)

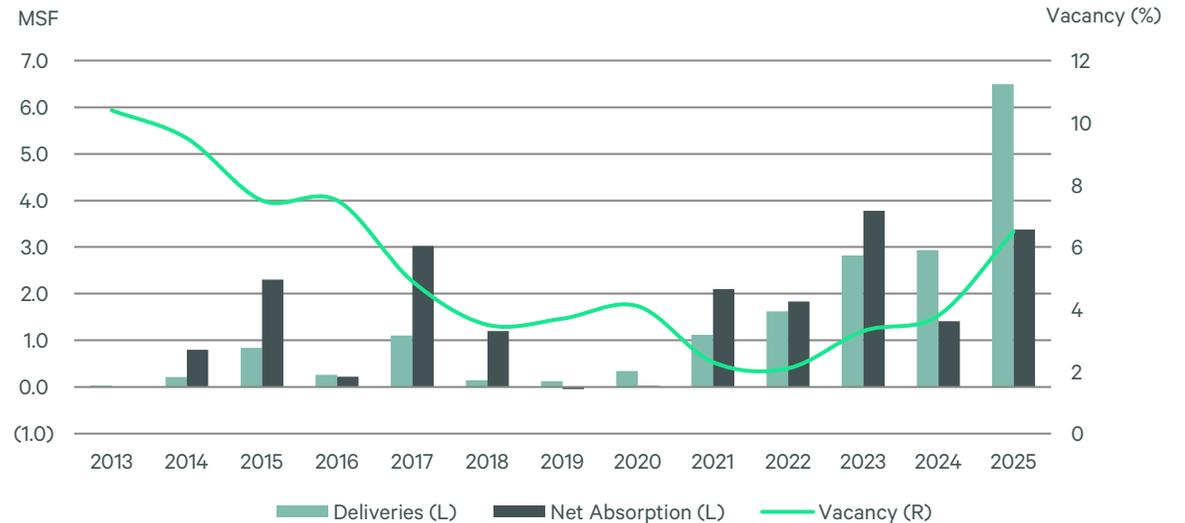
Note: Arrows indicate change from previous quarter.

The Norfolk industrial and logistics market experienced a slow down in activity during the fourth quarter, but still recorded occupancy gain of 66,000 sq. ft. Despite positive absorption, vacancy increased 100 basis points (bps) to 6.5% due to significant speculative deliveries. In turn, asking rates decreased slightly to \$9.32 per annum on a triple-net basis.

Many notable projects delivered in Q4, including the Port 460 Logistics Center Building 1 at 2925 Pruden Boulevard in Suffolk, which added 339,660 sq. ft. of speculative space to the market. Building 2 of this development remains under construction and is expected to deliver in Q1 2026. 460 Commerce Center also delivered during the fourth quarter, adding 352,000 sq. ft. of vacant space to the market. In total, 1.4 million sq. ft. delivered, 85% of which is available for lease.

Leasing decreased slightly this quarter, with 788,700 sq. ft. of activity across 35 transactions. Among fourth quarter transactions, 71% were relocations. The average lease size was just 22,535 sq. ft. and only one lease over 100,000 was signed.

FIGURE 1: Historical Supply & Demand Dynamics



Source: CBRE

## Leasing Snapshot

### Manufacturing

Manufacturing tenants accounted for 14% of gross leasing activity in 2025. The largest transaction of the quarter was a 146,256 sq. ft. leaseback to Hermes Abrasives after the sale of their building at 524 Viking Drive in Virginia Beach. The company specializes in manufacturing coated and bonded abrasives and related products and tools. Additionally, Busch Manufacturing signed a renewal, retaining 63,960 sq. ft. at 1910 Campostella Road in Chesapeake. They are a producer of vacuum pumps and other low-pressure equipment.

### Automobiles, Tires, & Parts

National Tire Wholesale (NTW) renewed 66,800 sq. ft. at 1960 Diamond Hill Road in Chesapeake. The tire distributor has been in this location since 2018 and supplies local consumers with wholesale tires for passenger and commercial vehicles.

### Third Party Logistics

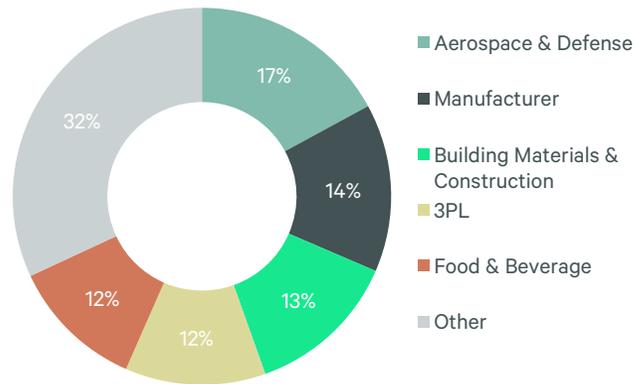
Third party logistics tenants accounted for 12% of gross leasing in 2025. During the fourth quarter, Tri Star Freight Systems signed an expansion to occupy a total of 51,435 sq. ft. at 1965 Northgate Commerce Parkway in Suffolk. They provide various freight and warehousing services and have several locations across the Southeast and Mid-Atlantic United States.

FIGURE 2: Select Q4 2025 Lease Transactions

Tenant	Industry	Address	Submarket	Lease Type	SF
Hermes Abrasives	Manufacturer	524 Viking Dr	Lynnhaven	New Lease	146,256
National Tire Wholesale	Automobiles, Tires, and Parts	1960 Diamond Hill Rd	Bainbridge / S. Elizabeth River	Renewal	66,800
Operation Blessing International	Nonprofit	907 Live Oak Dr	Greenbrier	Renewal	65,000
Busch Manufacturing	Manufacturer	1910 Campostella Rd	Bainbridge / S. Elizabeth River	Renewal	63,960
Tri Star Freight	Third Party Logistics	1965 Northgate Commerce Pkwy	Suffolk	Expansion	51,435
Undisclosed Tenant	Other	5732 Bayside Rd	Airport Industrial Park	New Lease	36,000
Synectics	Business Services	804 Greenbrier Cir	Greenbrier	New Lease	35,500
SupplyOne	Manufacturer	1400 Cavalier Blvd	Cavalier Industrial Park	New Lease	33,385

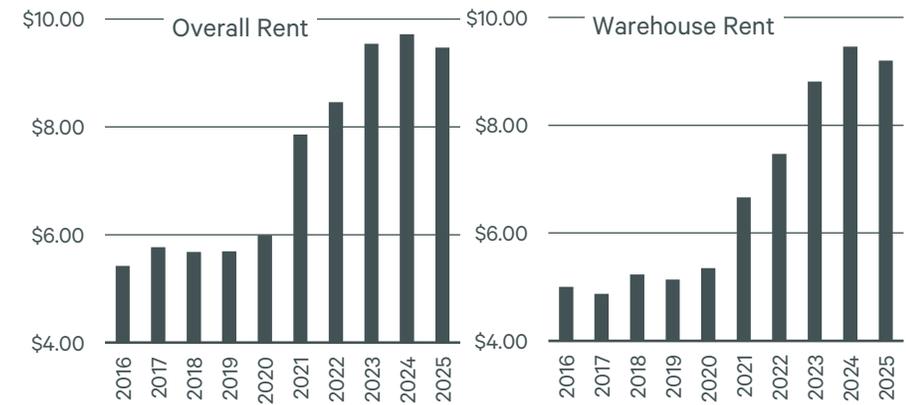
Source: CBRE

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



Source: CBRE

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



Source: CBRE

## Development Activity

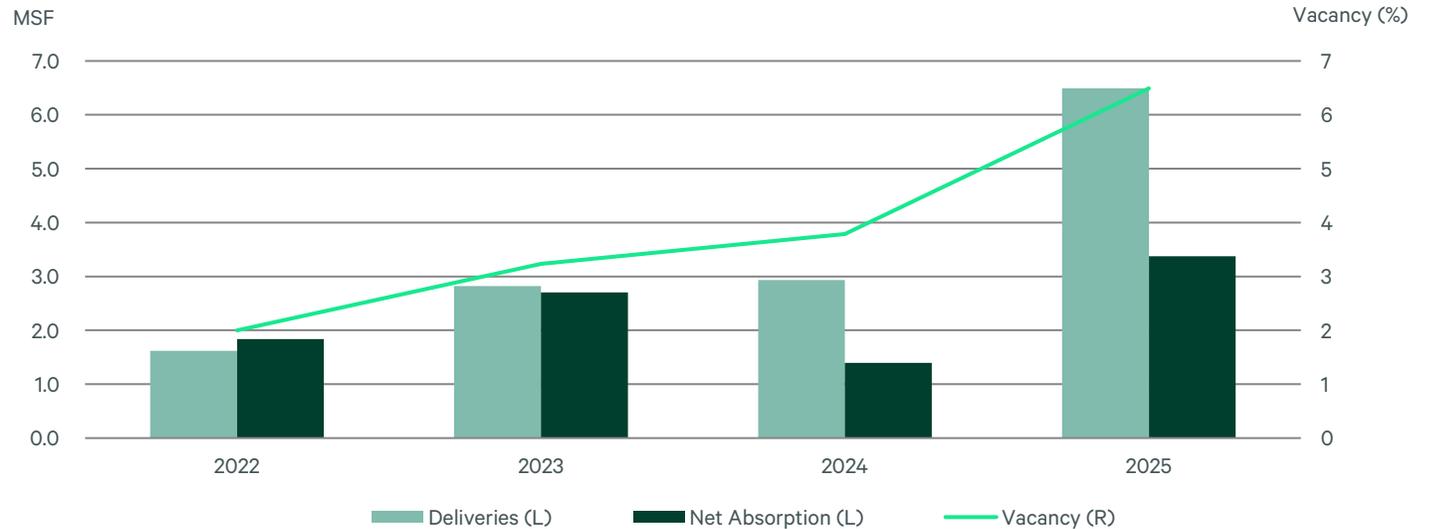
Seven speculative properties totaling 1.4 million sq. ft. delivered during the fourth quarter, of which 85% remains available for lease. Most notable was the 352,000 sq. ft. warehouse at 460 Commerce Center at 12375 William A Gwaltney Parkway in the Isle of Wight submarket. Hampton Logistics Center in Hampton delivered two properties totaling 506,500 sq. ft. Additionally, Building 1 of the Port 460 Logistics Center at 2925 Pruden Boulevard in Suffolk delivered 339,660 sq. ft.

Only two projects remain under construction, both speculative. Building 2 of the Port 460 Logistics Center is expected to deliver 246,490 sq. ft. in Q1 2026 also at 2925 Pruden Boulevard in Suffolk. A smaller project at 820 Tluchak Lane is also expected to deliver next quarter, adding 18,760 sq. ft. of speculative space to the market.

The industrial pipeline has been very active throughout 2025, which has created a market where supply is currently outpacing demand. The majority of the speculative projects that delivered this quarter were completed without any pre-leasing activity and are now in the lease-up stage post-delivery, causing an increase in overall vacancy for the market.

FIGURE 5: Notable Projects Under Construction

Type	Project Name	Address	Submarket	SF	Pct Leased	Tenant	Delivery	Developer / Owner
Speculative	Port 460 Logistics Center Building 2	2925 Pruden Blvd	South Suffolk	246,490	0%	-	Q1 2026	Matan
	820 Tluchak Lane	820 Tluchak Ln	Bainbridge	18,760	0%	-	Q1 2026	Whitman Development Group



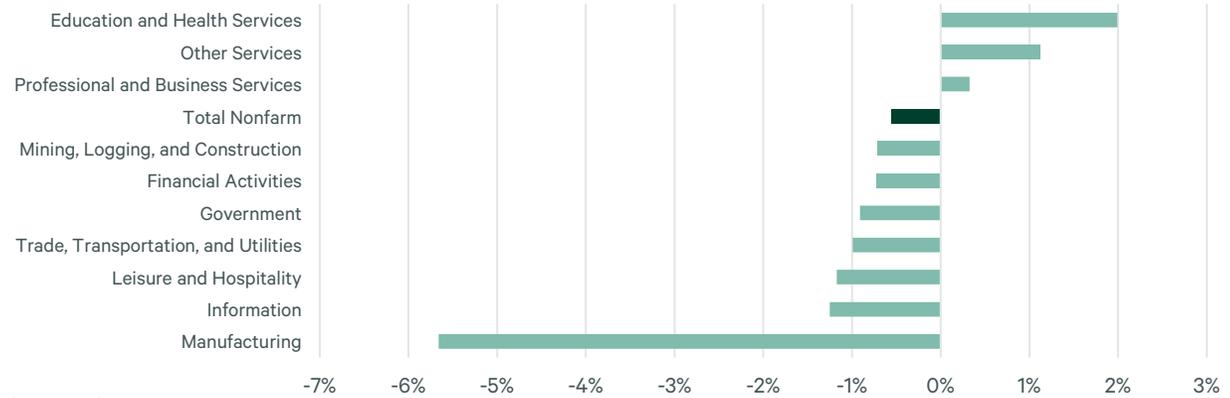
Source: CBRE

## 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.

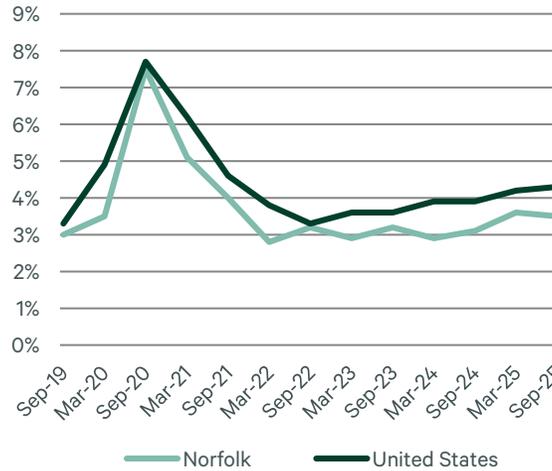
The picture gets more melancholy when looking at households. Consumer confidence remains weak, with spending reportedly driven by a smaller segment of affluent households. This mosaic of data suggests that annual average GDP growth will be steady in 2026, at 2%, but a touch softer than in 2025. A key 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 6: Employment Growth by Industry, 12-Month Percent Change



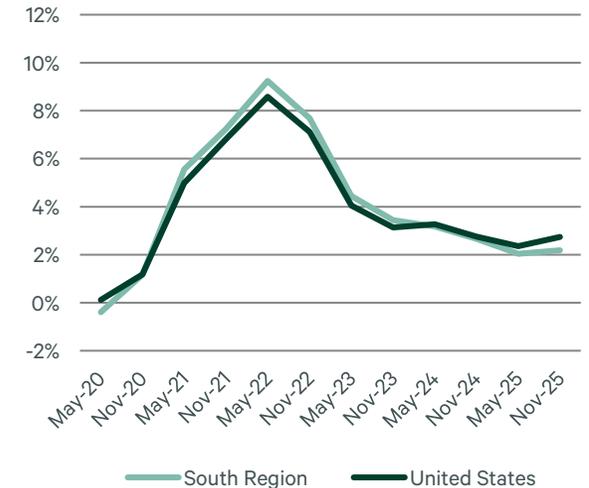
Source: BLS

FIGURE 7: Unemployment Rate



Source: BLS

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



Source: BLS

FIGURE 9: Key Market Statistics

	Location	Inventory (SF)	Overall Vacancy Rate (%)	Q4 2025 Net Absorption (SF)	2025 Net Absorption (SF)	NNN Asking Rent (\$/SF)	Under Construction (SF)
Warehouse	Southside	82,498,351	6.8	44,025	3,220,614	9.07	246,490
	Peninsula	28,722,181	6.6	23,565	115,264	9.05	-
	<b>Overall</b>	<b>111,220,532</b>	<b>6.7</b>	<b>67,590</b>	<b>3,335,878</b>	<b>9.07</b>	<b>246,490</b>
Flex	Southside	10,646,377	4.7	688	40,480	12.52	18,760
	Peninsula	2,230,881	3.1	(2,110)	1,036	10.53	-
	<b>Overall</b>	<b>12,877,258</b>	<b>4.5</b>	<b>(1,422)</b>	<b>41,516</b>	<b>12.31</b>	<b>18,760</b>
Overall	Southside	93,144,728	6.5	44,713	3,261,094	9.39	265,250
	Peninsula	30,953,062	6.4	21,455	116,300	9.10	-
	<b>Overall</b>	<b>124,097,790</b>	<b>6.5</b>	<b>66,168</b>	<b>3,377,394</b>	<b>9.32</b>	<b>265,250</b>

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

**Contacts**

**Katrina Subick**

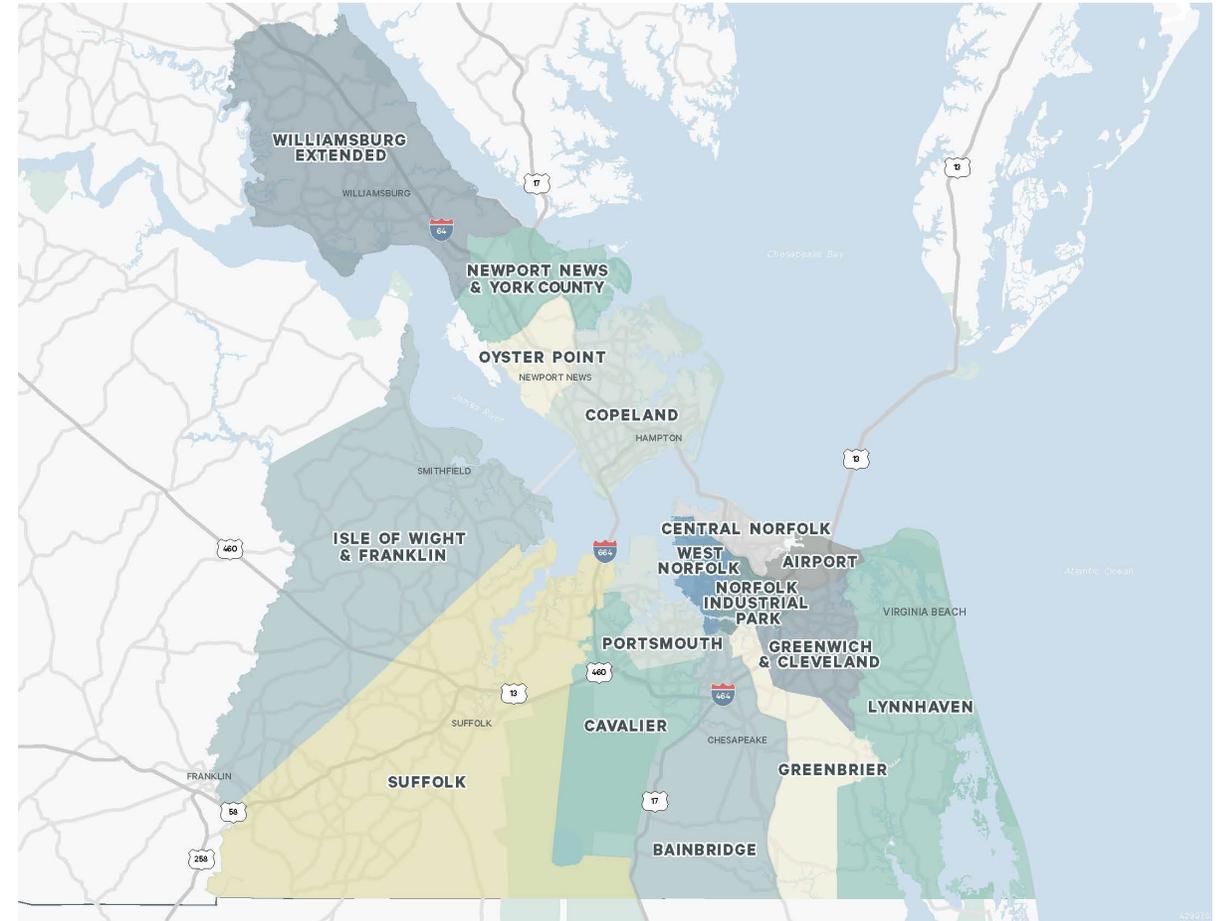
Research Analyst  
katrina.subick@cbre.com

**Erin Janacek**

Research Manager  
erin.janacek@cbre.com

**Stephanie Jennings**

Research Director  
stephanie.jennings@cbre.com



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