

FIGURES | NORFOLK INDUSTRIAL | Q4 2024

Owner-User Deliveries Push Absorption; Spec Groundbreakings Keep Pipeline Active



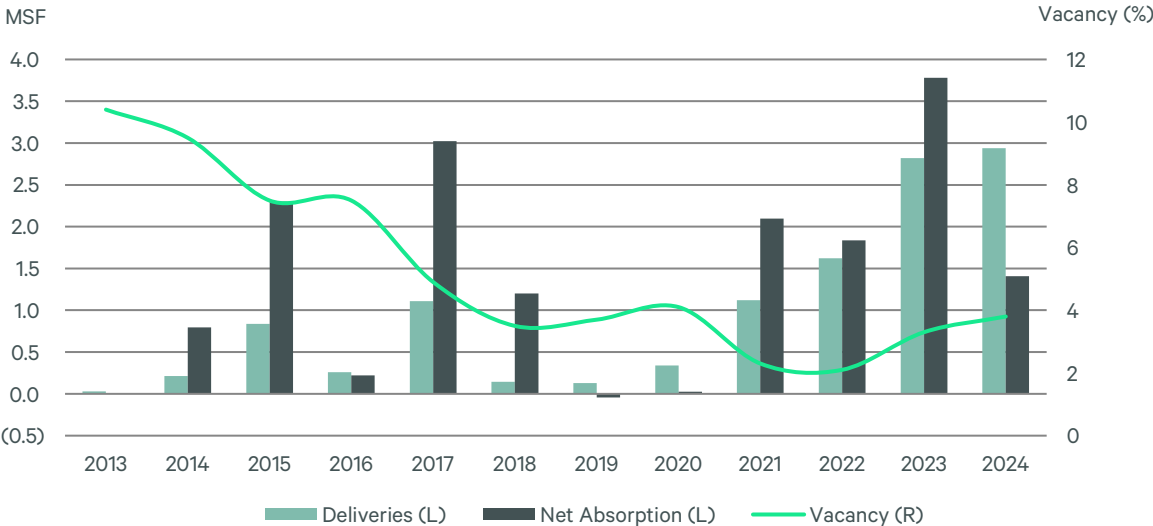
Note: Arrows indicate change from previous quarter.

The Norfolk industrial and logistics market recorded 816,000 sq. ft. of positive absorption during the fourth quarter, due to the delivery and occupancy of two Class A distribution facilities on the Southside. The largest move-in was MSI occupying its new 548,000 distribution facility at 2829 Holland Road, which it purchased from developer McDonald for \$59 million upon the building’s completion. Amazon also added 215,000 sq. ft. to its ever-growing footprint with a new delivery center in Virginia Beach.

Despite the above-average quarterly gains in occupancy, the vacancy rate rose 50 basis points to 3.8% as developers also completed work on 717,000 sq. ft. of unleased speculative product. With new groundbreakings this quarter, a total 6.6 million sq. ft. of warehouse product remains underway, of which 47%, or 3.1 million sq. ft. is speculative and set to deliver over the next year. This marks a budding shift towards speculative development in the Norfolk industrial market.

Tenants signed 26 leases totaling 1.1 million sq. ft. during the fourth quarter, a 4% increase quarter-over-quarter. Moreover, leasing activity increased 15% year-over-year with 77 leases totaling 3.6 million sq. ft. during 2024. Strong fundamentals continue to attract investors. LBA Realty purchased 3030 Enterprise Drive from Equus for \$70 million or \$466.67 per sq. ft. during the quarter. The 150,000 sq. ft. newly-built transload facility is fully occupied by third-party logistics provider NFI.

FIGURE 1: Historical Supply & Demand Dynamics



Source: CBRE

Leasing Snapshot

Food & Beverage

Spanish olive-oil producer Acesur signed the second-largest lease of the quarter, inking a new deal for 124,000 sq. ft. at 324 Moore Avenue in Suffolk. The Class B warehouse space is located nearby Acesur’s North American bottling facility in Suffolk, which opened in 2022. Last year, the company purchased 356 hectares in California and planted 450,000 olive trees that are expected to begin producing by the 2027 harvest season for the American market. According to the press release, the United States only produces 5% of the olive oil that it consumes. The additional distribution space will help to facilitate the expected increases in production.

Göknur, “the fruit’s global company”, signed the third-largest lease of the quarter. The new-to-market global fruit producer and distributor leased 108,000 sq. ft. of Class B space at 5816 Ward Court. The Turkish company operates more than 30,000 decares of organic fruit orchards in Turkey and produces a variety of fruit products including fruit concentrates and purees.

General Retail & Wholesale

Retailers and wholesalers were the second most active occupier of the quarter and the most active of the year, accounting for 24% of market share. Notable leases this quarter include plumbing supplier Ferguson Enterprises’ renewal at 2555 Ellsmere Drive. The Fortune 500 company is headquartered in Newport News.

Third Party Logistics (3PLs)

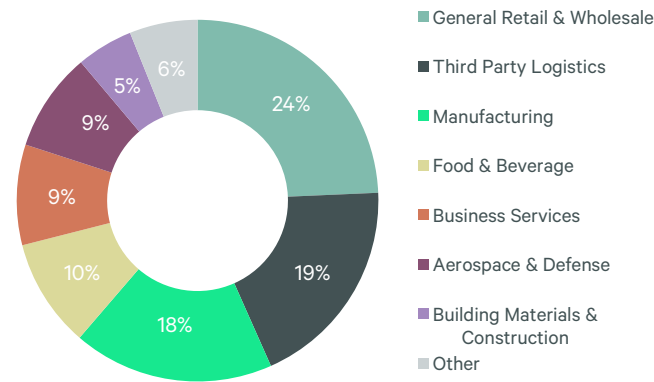
This quarter, 3PLs signed two leases totaling 160,000 sq. ft. Local 3PL Ocean Container Solutions added 80,000 sq. ft. of additional distribution space while new-to-market eJoov leased 49,000 sq. ft. in the Virginia Port Logistics Park.

FIGURE 2: Select Q4 2024 Lease Transactions

Tenant	Industry	Address	Submarket	Lease Type	SF
Friant	General Retail & Wholesale	5401 Virginia Regional Dr	Suffolk	New Lease	138,069
Acesur	Food & Beverage	324 Moore Ave	Suffolk	New Lease	123,600
Göknur	Food & Beverage	5816 Ward Ct	Airport Industrial Park	New Lease	107,953
Ferguson Enterprises	General Retail & Wholesale	2555 Ellsmere Ave	Norfolk Industrial Park	Renewal	99,745
Ocean Container Solutions	Third Party Logistics	5401 Virginia Regional Dr	Suffolk	New Lease	80,000
eJoov Inc.	Third Party Logistics	1010 Centerpoint Dr	Suffolk	New Lease	48,385
Grand Brands	Food & Beverage	5816 Ward Ct	Airport Industrial Park	Renewal	40,803
S4 Lights	General Retail & Wholesale	137 Industrial Blvd	Williamsburg Extended	New Lease	36,000
Walmart Stores East, LP	General Retail & Wholesale	300 344 McLaws Cir	Williamsburg Extended	New Lease	24,100
Winn Supply	General Retail & Wholesale	5465 Greenwich Rd	Cleveland	New Lease	23,400

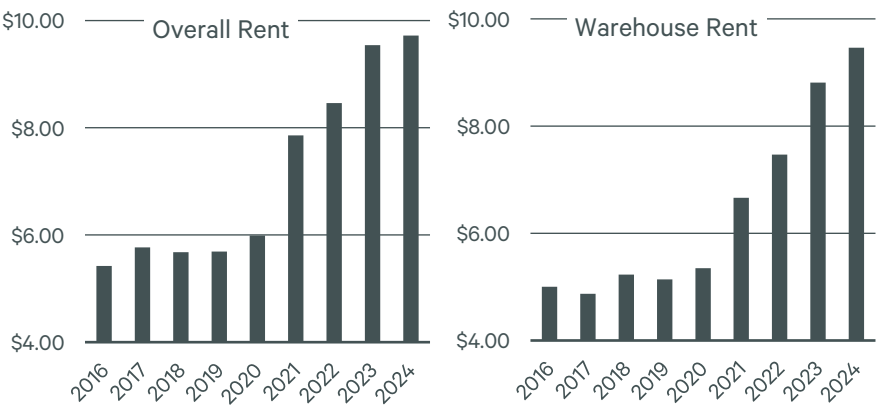
Source: CBRE

FIGURE3: 2024 Gross Leasing by Sector (Share by SF)



Source: CBRE

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



Source: CBRE

Development Activity

Five projects summing to 1.5 million sq. ft. delivered during the quarter, bringing total completions in 2024 to 2.4 million sq. ft. In Suffolk, McDonald Development completed work on the first of two planned buildings in the Virginia Commerce Center at 301 Kenyon Road. The 343,000 sq. ft. building is not yet leased. In Hampton, NorthPoint Development finished construction on the smaller of two buildings in its Phenix Commerce Center project. The larger property, a 540,000 sq. ft. bulk building at 70 Aberdeen Road, will reach completion next quarter.

Two major speculative projects broke ground during the fourth quarter. On the Southside, Matan broke ground on two buildings in its Port 460 Logistics Center project in Suffolk. Totalling 586,000 sq. ft., the two buildings are part of a two-phase, ten-building, 4.7 million sq. ft. Class A distribution project. Port 460 Logistics Center aims to attract port users looking to ship goods up Route 460 and along I-95.

On the Peninsula, Manekin began work on Hampton Logistics Center, a two-building project totaling 506,000 sq. ft. The project will bring much needed vacancy to the supply-constrained Peninsula, which has recorded significant leasing activity from the defense industry in the past year. Logistics tenants considering this location will soon benefit from easier port access after the completion of the Hampton Roads Bridge Tunnel Expansion project by mid-year 2027. It will also benefit from the completion of the I-64 widening project, which will create three lanes of traffic all the way to Richmond and I-95.

FIGURE 5: Q4 2024 Notable Deliveries

Property Name	Address	Submarket	Location	SF	Pct. Leased	Tenant	Developer
Westport I	2821 Holland Rd	Suffolk	Southside	548,000	Owned	MS International	McDonald Development Co.
Virginia Commerce Center	301 Kenyon Rd	Suffolk	Southside	342,640	0%	-	McDonald Development Co.
Phenix Commerce Center	30 Aberdeen Rd	Copeland	Peninsula	299,783	0%	-	NorthPoint Development
Amazon Delivery Station	2201 Harpers Rd	Lynnhaven	Southside	219,000	Owned	Amazon	Panattoni
Bayside Industrial	5732 Bayside Rd	Airport	Southside	71,777	0%	-	Evergreen Partners, LLC

FIGURE 6: Notable Warehouse Projects Under Construction

Type	Project Name	Address	Submarket	SF	Pct Leased	Tenant	Delivery	Developer / Owner
Spec	Coastal Logistics Phase II	Carolina Rd	Suffolk	716,527	0%	-	Q1 2025	Flint Development
	Port 460 Logistics Center	2925 Pruden Blvd	Suffolk	586,100	0%	-	Q2 2025	Matan
	Hampton Logistics Center	1008-1012 North Campus Pkwy	Copeland	506,408	0%	-	Q2 2025	
	Phenix Commerce Center	70 Aberdeen Rd	Copeland	540,470	0%	-	Q1 2025	NorthPoint Development
	460 Commerce Center	12375 William A Gwaltney Rd	Isle of Wight	352,000	0%	-	Q3 2025	W.M. Jordan / Isle of Wight Economic Development
	Greenbrier Commerce Center	Woodlake Cir	Greenbrier	87,360		-	Q2 2025	Hoffler Land Solutions
Build to Suit	Amazon Fulfillment	2500 Harpers Rd	Lynnhaven	3,250,000	Owned	Amazon	Q1 2025	Panattoni Development
	757 Freeze	130 Maya Way	Suffolk	239,765	Owned	FreezPak Logistics	Q1 2025	Karis Cold
	Road One Transload	1996 Northgate Commerce Pkwy	Suffolk	227,000	100%	Road One Intermodal	Q1 2025	Industrial Realty Group

Source: CBRE

Economic Outlook

The U.S. economy continues to exceed expectations. Much of this is due to a sturdy consumer who is enjoying increased household wealth, real income growth, and a resilient labor market. Consequently, CBRE is revising its outlook upward for 2025 annual average GDP growth by 60 basis points to 2.3%.

Typically, sturdy economic growth alongside Fed rate cuts would be rocket fuel for commercial real estate (CRE) performance. The catch is capital markets have grown skeptical of just how low rates will go in 2025. The mix of sticky core inflation and future policy concerns are putting upward pressure on long-term rates. Nevertheless, real estate capital markets have made good progress in recent quarters. Lending spreads are tightening, and credit issuance is up. Lending conditions are easing a bit as multifamily LTVs are trending slightly upward. Stronger debt markets and balanced and/or recovering space market fundamentals should translate into a noticeable uptick in investment during the next several quarters.

FIGURE 7: Employment Growth by Industry, 12-Month Percent Change

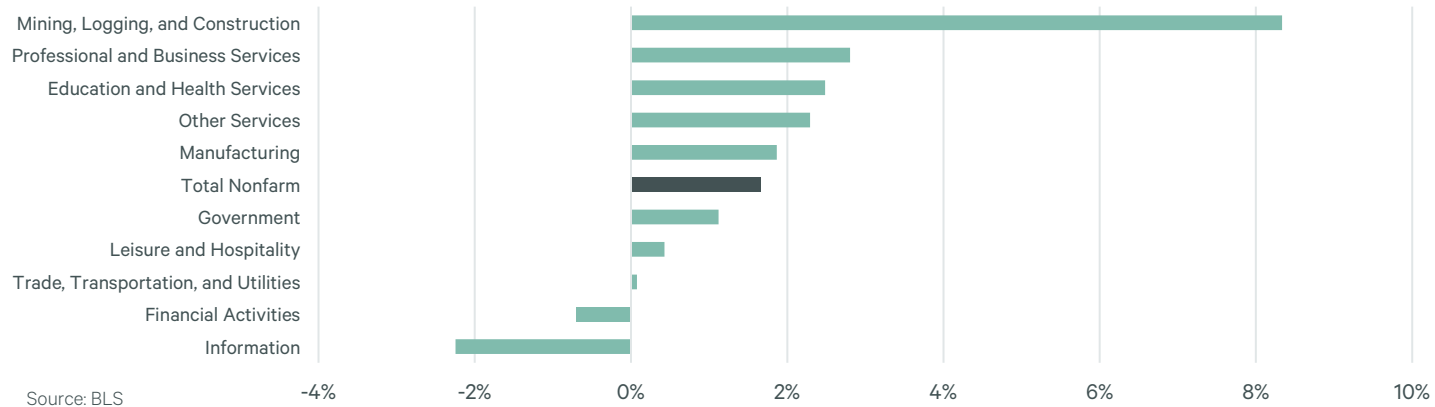


FIGURE 8: Unemployment Rate

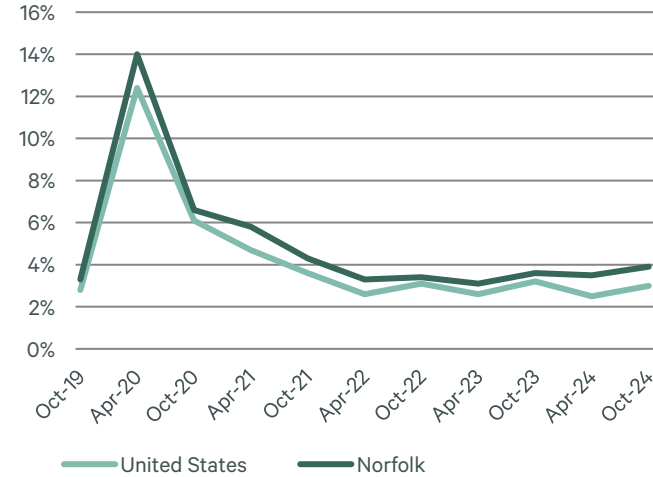


FIGURE 9: Consumer Price Index, 12-Month Percent Change

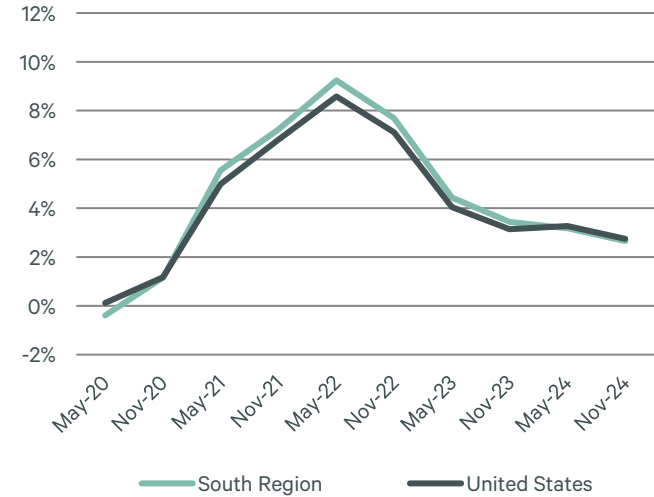


FIGURE 10: Key Market Statistics

	Location	Inventory (SF)	Overall Vacancy Rate (%)	Q4 2024 Net Absorption (SF)	2024 Net Absorption (SF)	NNN Asking Rent (\$/SF)	Under Construction (SF)
Warehouse	Southside	76,618,622	3.8	726,722	1,137,729	9.61	5,528,625
	Peninsula	27,636,989	3.4	(21,910)	71,668	8.71	1,046,878
	Overall	104,255,611	3.7	704,812	1,209,397	9.42	6,575,503
Flex	Southside	10,626,658	4.9	57,333	170,548	12.45	37,960
	Peninsula	2,230,881	3.1	53,596	28,114	10.06	-
	Overall	12,857,539	4.6	110,929	198,662	12.17	37,960
Overall	Southside	87,245,280	3.9	784,055	1,308,277	9.96	5,566,585
	Peninsula	29,867,870	3.4	31,686	99,782	8.80	1,046,878
	Overall	117,113,150	3.8	815,741	1,408,059	9.72	6,613,463

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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