

FIGURES | NORFOLK INDUSTRIAL | Q3 2024

# Norfolk Captures Continued New Investment, Signals Potential Market Shift



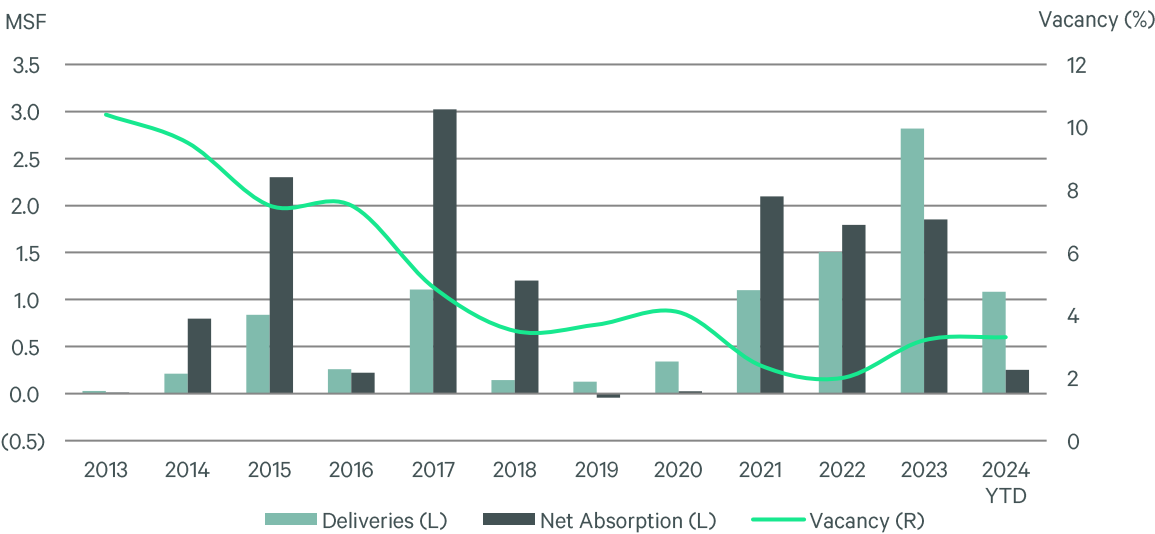
Note: Arrows indicate change from previous quarter.

Market fundamentals across the Norfolk industrial and logistics market such as sustained low vacancy at 3.3% and rising asking rates, currently at \$9.69 per sq. ft. per annum on a triple net basis (NNN), are serving to attract national developers and continued investment in the market.

During the third quarter, LS GreenLink announced plans to build a \$680 million subsea cable manufacturing facility in Chesapeake along the Elizabeth River with deepwater access. The 750,000 sq. ft. owner-built project will create 330 skilled jobs and is expected to break ground in 2025. Other notable projects looking to get underway include Matan’s Port 460 Logistics Center, a ten-building, 5 million sq. ft. speculative project which held a ceremonial groundbreaking this quarter but will officially break ground on phase one during the fourth quarter. Also holding a ceremonial groundbreaking was Manekin’s two-building 506,000 sq. ft. Hampton Logistics Center project. These projects mark a potential shift for Norfolk, moving from a build-to-suit market toward a speculative build market.

In a growing trend, national developers with ongoing projects in the region are buying stabilized and value-add assets in the market. This quarter, Industrial Realty Group, which completed two projects in the market earlier this year and is currently underway on a third, purchased 3321 East Princess Anne Road for \$34.9 million. Other recent developer investors in the market include InLight Real Estate Partners and Lovett Industrial. Both developers have active developments in the market and purchased existing properties earlier this year.

FIGURE 1: Historical Supply & Demand Dynamics



Source: CBRE

## Leasing Snapshot

### General Retail & Wholesale

Wholesalers signed five leases during the third quarter totaling 482,000 sq. ft. Emser Tile signed the largest lease of the quarter, renewing in place for 401,000 sq. ft at 1061 Centerpoint Drive in the Virginia Port Logistics Park in Suffolk. Renewals in place accounted for three of the five leases signed. Overall, tenants in the general retail and wholesale industry have been the most active sector in the market this year, signing nine leases for 769,000 sq. ft. and accounting for 32% of gross leasing by sq. ft.

### Third Party Logistics (3PLs)

CBT Logistics signed the only lease by a 3PL this quarter, inking a new deal for 36,000 sq. ft. of Class C space at 115 Dill Road. Comprised of six mid-sized buildings totaling 257,000 sq. ft., 115 Dill Road has recorded 224,000 sq. ft. of gross leasing this year, all on short term leases. Seminole Trail Properties purchased the project at the end of 2023 for \$7.5 million, or \$29.21 per sq. ft. and plans to upgrade or redevelop the properties in the next few years to accommodate the demand for mid-sized product.

### Manufacturing

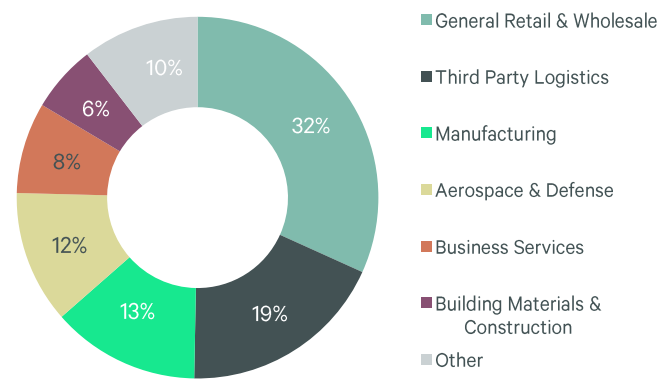
Busch Manufacturing signed the only manufacturing lease, inking a new deal for 64,000 sq. ft. at 1910 Campostella Road in space recently vacated by Eska, another manufacturer who relocated to a larger footprint at the Coastal Logistics Center. This 154,000 sq. ft. property is part of a four-property industrial park which was recently purchased by Lovett Industrial and Heitman for \$73.5 million, or \$103 per sq. ft. The industrial park is currently anchored by Amazon at below-market rates, but the e-commerce giant plans to vacate 424,000 sq. ft. within the 716,000 sq. ft. building park once its owned projects deliver in Virginia Beach next year.

FIGURE 2: Select Q3 2024 Lease Transactions

Tenant	Industry	Address	Submarket	Lease Type	SF
Emser Tile	General Retail & Wholesale	1061 Centerpoint Dr	South Suffolk	Renewal	401,221
Busch Manufacturing	Manufacturing	1910 Campostella Rd	Bainbridge	New Lease	63,960
Swisslog Logistics	Business Services	161 Enterprise Dr	Oakland	Renewal	44,066
Kitchen Design, Inc	Building Materials & Construction	241 Enterprise Dr	Oakland	New Lease	40,000
CBT Logistics	Third Party Logistics	115 Dill Rd	South Suffolk	New Lease	36,000
1-800-Pack-Rat	General Retail & Wholesale	2200 Steppingstone Sq	Greenbrier	New Lease	26,950
Daltile	General Retail & Wholesale	5770 Thurston Ave	Airport Industrial Park	Renewal	26,400
Cort Furniture	General Retail & Wholesale	3732 Cook Blvd	Cavalier	Renewal	23,580
Compton Counts	Building Materials & Construction	5813 Ward Ct	Airport Industrial Park	New Lease	19,286
Baker Distributing Company	General Retail & Wholesale	3464 E Virginia Beach Blvd	Norfolk Industrial	New Lease	17,287

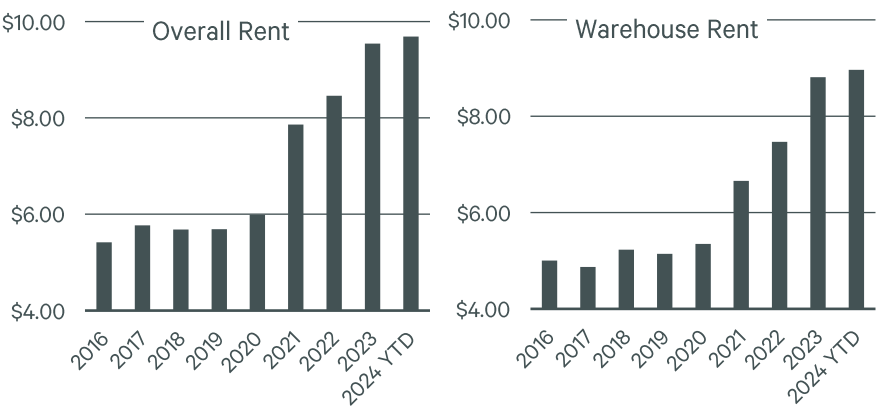
Source: CBRE

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



Source: CBRE

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



Source: CBRE

## Development Activity

The development pipeline grew to 6.8 million sq. ft. as two new projects broke ground during the third quarter.

- Cold Storage developer Karis Cold broke ground on a build-to-suit project at 130 Maya Way, which will add 240,000 sq. ft. of cold storage product in Suffolk to be occupied by Freezpak Logistics upon delivery. There is limited inventory of cold storage space, and most are occupied by owner-users, so Karis Cold’s facility was quickly preleased by Freezpak Logistics, suggesting demand for this unique product type.
- Hoffler Land Solutions, a development arm of Virginia Beach investment group Armada Hoffler, began work on Greenbrier Commerce Center. Upon completion, the project will add two new buildings to the Greenbrier submarket totaling 186,000 sq. ft. The 88,000 sq. ft. Building 2 broke ground during Q3 and Building 1 is expected to wait for a prelease tenant.

Several projects are nearing completion and will deliver by year-end, including two distribution facilities in Suffolk by developer McDonald:

- A 548,000 sq. ft. build-to-suit for MS International, which will transfer ownership to the tenant upon delivery
- A 343,000 sq. ft. speculative warehouse at 301 Kenyon Road, still fully available for lease

Other notable projects with Q4 delivery dates include NorthPoint Development’s 840,000 sq. ft. Phenix Commerce Center project on the Peninsula. In total, more than 2.5 million sq. ft. could deliver during the fourth quarter, ending the year with one of the highest completion totals in the last decade.

FIGURE 5: Notable Investment Sales YTD

Sale Date	Property Name	Location	Sale Price (millions)	SF	Pct Leased	Buyer	Seller
Q3 2024	401 Woodlake Dr	Southside	14.5	142,000	100%	B&D Holdings	Drew Rosen Li LLC
Q3 2024	3321 E Princess Anne Rd	Southside	34.9	298,126	45%	Industrial Realty Group	3321 Princess Anne, LLC
Q2 2024	Bridgeway Business Center	Southside	50.5	707,902	100%	InLght Real Estate Partners	Ashley Capital
Q1 2024	Blackstone Industrial Portfolio	Peninsula	81.5	659,000	100%	B&D Holdings	Link Logistics
Q1 2024	Diamond Hill Portfolio	Southside	73.5	719,929	98%	Heitman /Lovett Industrial	Link Logistics

FIGURE 6: Notable Warehouse Projects Under Construction

Type	Project Name	Address	Submarket	SF	Tenant	Delivery	Developer / Owner
Speculative	Phenix Commerce Center	700 Shell Rd	Copeland	840,253	-	Q4 2024	NorthPoint Development
	Coastal Logistics Phase II	Carolina Rd	Suffolk	716,527	-	Q1 2025	Flint Development
	460 Commerce Center	12375 William A Gwaltney Rd	Isle of Wight	352,000	-	Q3 2025	W.M. Jordan / Isle of Wight Economic Development
	Virginia Commerce Center	301 Kenyon Rd	South Suffolk	342,640	-	Q4 2024	McDonald Development Co.
	Greenbrier Commerce Center	Woodlake Cir	Greenbrier	87,360	-	Q2 2025	Hoffler Land Solutions
	Bayside Industrial	5730 Bayside Rd	Airport Industrial Park	71,777	-	Q4 2024	Evergreen Partners
Build to Suit	Amazon Fulfillment	2500 Harpers Rd	Lynnhaven	3,250,000	Amazon	Q1 2025	Panattoni Development
	Westport I	2821 Holland Rd	Suffolk	548,000	MS International	Q4 2024	McDonald Development Co.
	757 Freeze	130 Maya Way	Suffolk	239,765	FreezPak Logistics	Q1 2025	Karis Cold
	Road One Transload	0 Northgate Commerce Pkwy	Suffolk	227,000	Road One Intermodal	Q1 2025	Industrial Realty Group
	Amazon Last Mile	2500 Harpers Rd	Lynnhaven	215,000	Amazon	Q4 2024	Panattoni Development

Source: CBRE

## Economic Outlook

Soft landings are rare, but recent data suggest that this outcome for the economy is increasingly likely. Business investment is holding its own and consumer distress is confined to a few vulnerable segments. Discretionary spending, such as travel, is generally on a par with last year although many signs indicate the post-pandemic spending boom is over. The key threat to consumption is a rollover in the labor market although the recent bump in unemployment appears benign, mainly driven by an increase in participation. A reason for concern is the decline in the share of private industries that are creating jobs. On the other hand companies are not shedding workers at a particularly high rate. The labor market has slowed, but it is not slumping.

While many are focused on November’s election the most consequential policy lever has already been pulled via the FOMC’s 50 bps September cut and signaling another 50 by year-end. This easing of financial conditions combined with continued economic growth should support modest hiring and consumption that precedes tighter commercial space market fundamentals. This backdrop will breathe fresh wind into real estate transactions markets and coincides with other signals that cap rates have peaked and may be starting to fall in some sectors.

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

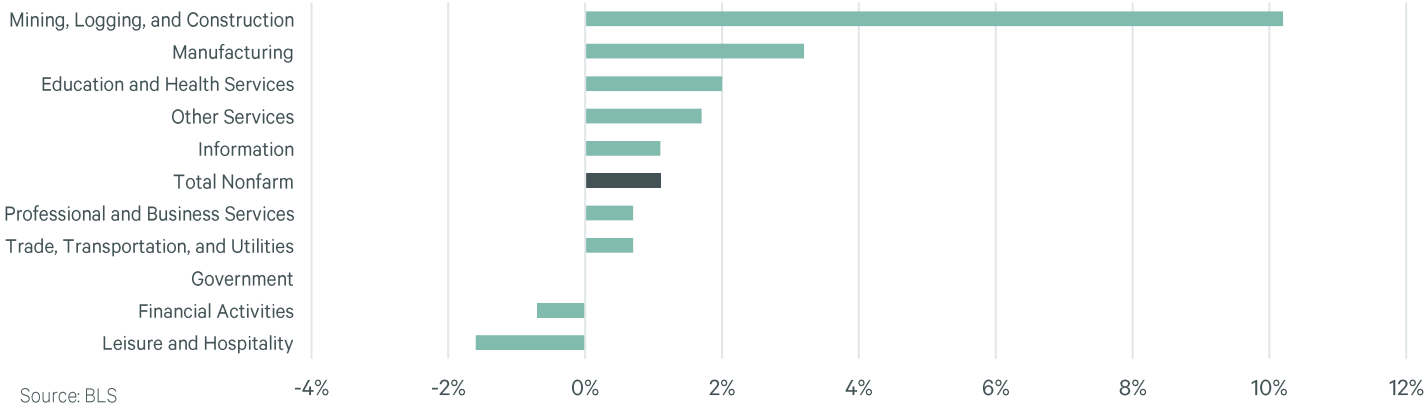


FIGURE 8: Unemployment Rate

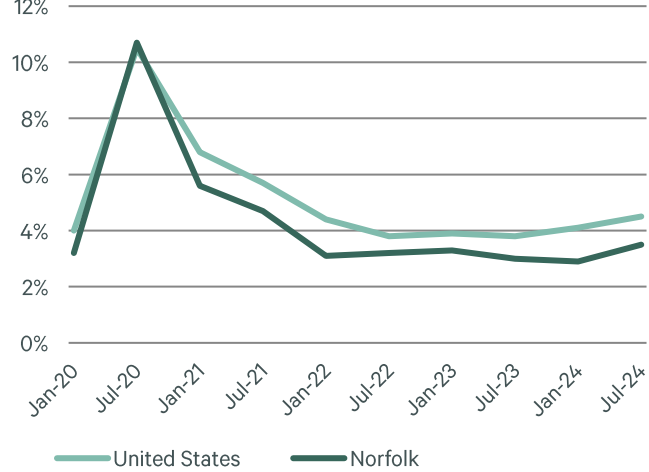


FIGURE 9: Consumer Price Index, 12-Month Percent Change

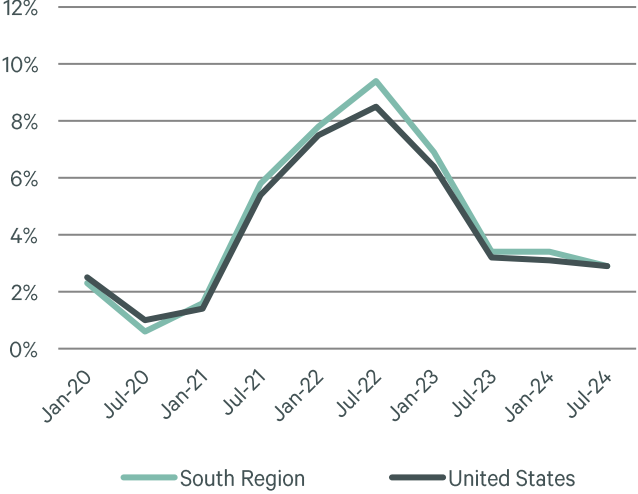


FIGURE 10: Key Market Statistics

	Location	Inventory (SF)	Overall Vacancy Rate (%)	Q3 2024 Net absorption	YTD Net Absorption (SF)	NNN Asking Rent (\$/SF)	Under Construction (SF)
Warehouse	Southside	75,566,534	3.3	82,950	263,182	9.49	6,007,707
	Peninsula	27,104,291	2.4	(20,977)	1,032	8.66	840,253
	Overall	102,670,825	3.1	61,973	264,214	9.38	6,847,960
Flex	Southside	12,073,785	5.2	(24,801)	23,426	12.29	-
	Peninsula	1,237,610	7.2	100	(34,747)	9..42	-
	Overall	13,311,395	5.4	(24,701)	(11,321)	11.65	-
Overall	Southside	86,243,992	3.6	48,884	277,343	9.84	6,007,707
	Peninsula	29,738,228	2.6	(11,612)	(24,450)	8.81	840,253
	Overall	115,982,220	3.3	37,272	252,893	9.69	6,847,960

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

Michael Roberts

Research Analyst  
michael.roberts1@cbre.com

Erin Janacek

Research Manager  
erin.janacek@cbre.com

Stephanie Jennings

Research Director  
stephanie.jennings@cbre.com

