

FIGURES | NORFOLK INDUSTRIAL | Q2 2025

Market Records Leasing Gains Despite Negative Absorption & Rising Vacancy

▲ 5.8%

Overall Vacancy Rate

▼ (511,396)

SF Overall Net Absorption

▼ 5.6M

SF Under Construction

▼ \$9.41

Average Overall Asking Rate (NNN)

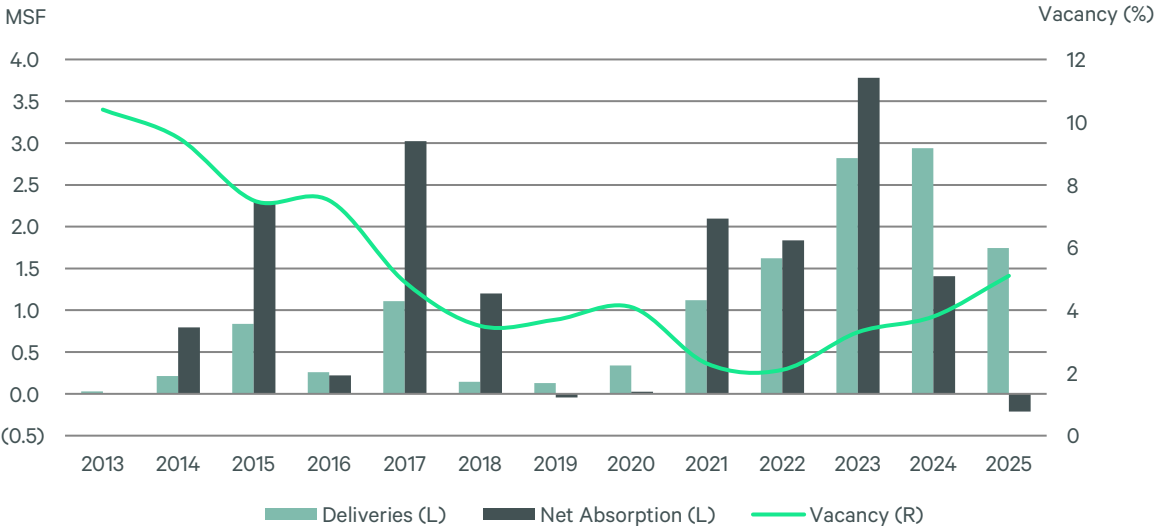
Note: Arrows indicate change from previous quarter.

The Norfolk industrial and logistics market recorded 511,400 sq. ft. of negative absorption during the second quarter, driven by five bulk spaces coming onto market. Of note, Rex Companies vacated 111,200 sq. ft. at 725 City Center Boulevard in the Norfolk Industrial Park Submarket. The entire building is now available for lease and the manufacturing plant’s physical assets were put up for auction in March.

The completion of the speculative Coastal Logistics Center Phase II added 716,500 sq. ft. of new inventory, half of which was leased at completion. This, combined with additional deliveries and large move outs, pushed the overall vacancy rate up 130 basis points (bps) to 5.8%. Asking rates fell to \$9.41 per sq. ft. per annum on a triple-net basis. In total, 5.6 million sq. ft. remains under construction across the Norfolk industrial market and 92% of projects are speculative.

Leasing activity increased sharply from Q1 with 19 leases totaling 1.3 million sq. ft. signed during the second quarter. Four large tenants signed transactions larger than 100,000 sq. ft., three of which were relocations, so an impact on occupancy can be expected in the coming quarters as those deals commence.

FIGURE 1: Historical Supply & Demand Dynamics



Source: CBRE

Leasing Snapshot

Aerospace & Defense

Aerospace & Defense tenants account for 25% of gross leasing for 2025 thus far. This quarter, Disruptor Maritime, a custom marine vessel manufacturer, leased 18,400 sq. ft. at 3320 Tait Terrace in the Norfolk Industrial Park submarket. The company is the licensed US manufacturer for the Rafnar/ÖK Hull, a design used by the US military.

Food & Beverage

One food and beverage lease accounted for 39% of gross leasing activity this quarter, and tenants in this sector leased 23% of the square footage recorded so far in 2025. Transnational Foods, a leading provider of food products, leased 358,700 sq. ft. at the newly delivered Coastal Logistics Center Phase II. Transnational is known for its global sourcing and private labelling services. The company imports more than 400 products in over 30 categories for distribution to clients across the U.S.

Third Party Logistics (3PL)

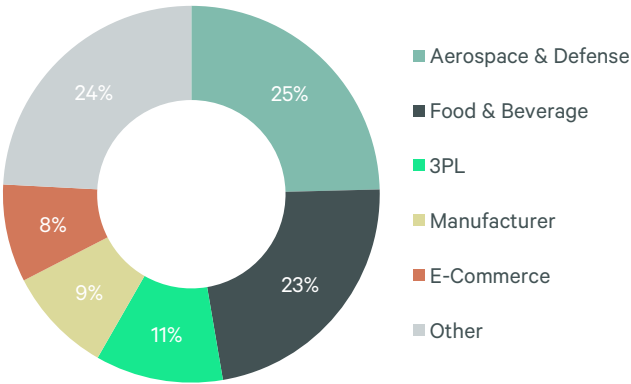
Third party logistics tenants accounted for 11% of gross leasing activity this year. The largest lease this quarter was Land ‘N Sea’s 115,700 sq. ft. lease at 3321 East Princess Anne Road. Land ‘N Sea is a wholesale distribution company serving the marine, RV, and personal watercraft industries. They deliver in the US and Canada and provide coverage to more than 60 additional countries through international partnerships. They handle distribution logistics for more than 600 Marine and RV brands worldwide.

FIGURE 2: Select Q2 2025 Lease Transactions

Tenant	Industry	Address	Submarket	Lease Type	SF
Transnational Foods	Food & Beverage	700 Carolina Rd	Copeland / Lower Peninsula	New Lease	358,738
CEL Critical Power	Utilities	1637 Green Mount Pkwy	Copeland / Lower Peninsula	New Lease	149,040
Land ‘N Sea	Third Party Logistics	3321 E Princess Anne Rd	Greenbrier	New Lease	115,680
Adsync Technologies	Business Services	5901 5921 Thurston Ave	Suffolk	Renewal	60,625
US Port Services	Third Party Logistics	3100 3150 Elmhurst Ln	Norfolk Industrial Park	Renewal	40,000
SafeLite Fulfillment, Inc.	Business Services	1545 Crossways Blvd	Airport Industrial Park	Renewal	34,188
Crown Equip Corp	Business Services	551 Woodlake Cir	Lynnhaven	New Lease	27,030
Disruptor Maritime	Aerospace and Defense	3320 Tait Ter	Norfolk Industrial Park	New Lease	18,408

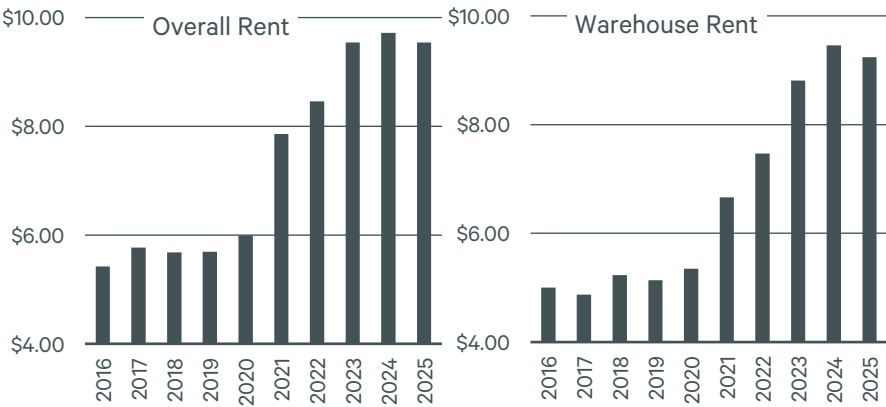
Source: CBRE

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



Source: CBRE

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



Source: CBRE

Development Activity

Four projects delivered during the quarter, adding 1.2 million sq. ft. to the industrial and logistics inventory. Two notable build-to-suit projects contributed to this activity, including Karis Cold Storage delivering a 240,000 sq. ft. cold storage facility in the Suffolk submarket, fully leased to FreezPak. Further, a 227,500 sq. ft. warehouse property that was fully leased to RoadOne IntermodaLogistics delivered, also in the Suffolk submarket, but is now listed for sublease. The largest speculative completion was Coastal Logistics Center Phase II, which delivered 716,500 sq. ft., 50.0% leased overall.

Penzance broke ground this quarter on 4721 Shoulders Hill in the Suffolk submarket. The speculative warehouse project will add 443,000 sq. ft. to inventory, expected in Q2 2026.

Thirteen projects totaling 5.6 million sq. ft. remain under construction. Several ongoing speculative projects are expected to deliver through the end of 2025, including the Port 460 Logistics Center Buildings 1 & 2 which have a combined area of 586,100 sq. ft. available for lease.

FIGURE 5: Notable Projects Under Construction

Type	Project Name	Address	Submarket	SF	Pct Leased	Tenant	Delivery	Developer / Owner
Build-to-Suit	Amazon Virginia Beach	2500 Harpers Rd	Lynnhaven	3,250,000	Owned	Amazon	Q3 2025	Panattoni Amazon
	Port 460 Logistics Center Buildings 1 & 2	2925 Pruden Blvd	South Suffolk	586,100	0%	-	Q4 2025	Matan
	Hampton Logistics Center	1008 & 1012 North Campus Pky	Copeland	506,408	0%	-	Q4 2025	Manekin LLC
	Shoulders Hill Rd	4721 Shoulders Hill Rd	Suffolk	443,039	0%	-	Q2 2026	Penzance
	460 Commerce Center	12375 William a Gwaltney	Isle of Wight	352,000	0%	-	Q3 2025	Isle of Wight County Economic Development
Speculative	Greenbrier Commerce Center Buildings A & B	521 Woodlake Cir	Bainbridge	189,000	0%	-	Q3 2025	Hoffler Land Solutions
	Virginia Port Logistics Center – Lot 9	2100 Enterprise Dr	Suffolk	168,000	0%	-	Q3 2025	Equus Capital Partners
	137 Industrial Boulevard – Building 1	137 Industrial Blvd	Williamsburg	47,000	100%	S4 Lights	Q4 2025	Nice Commercial Properties, LLC
	-	4004 Seabord Ct	Portsmouth	23,980	0%	-	Q1 2026	-
	2100 Scenic Pky	2100 Scenic Pky	Bainbridge	19,000	0%	-	Q3 2025	-
	820 Tluchak Lane	820 Tluchak Ln	Bainbridge	18,760	0%	-	Q4 2025	Whitman Development Group

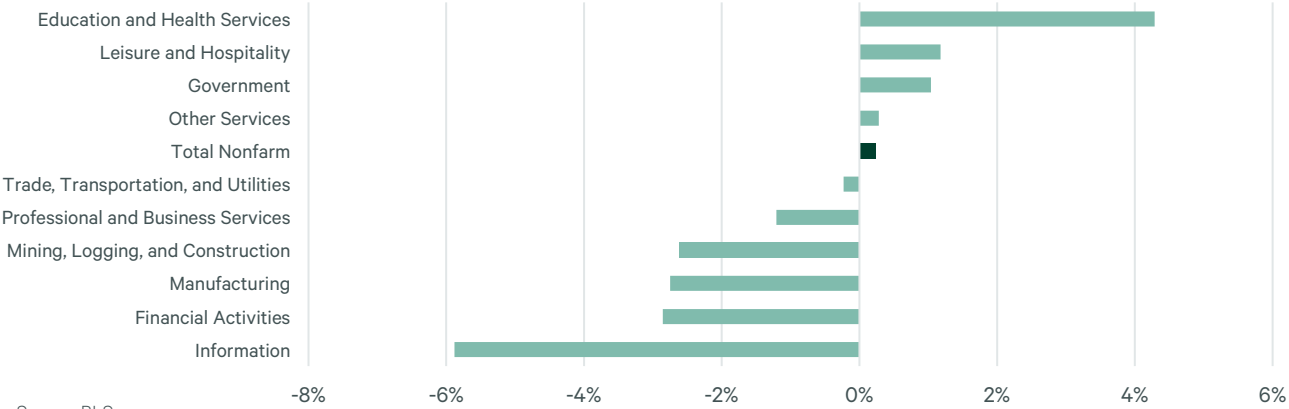
Source: CBRE

Economic Outlook

Policy announcements and the news cycle—not economic fundamentals—are driving sentiment today. Q2 2025 began with the Liberation Day tariffs and subsequent escalation that caused growth expectations to plummet. But by the top of Q3 2025, both the trade war rhetoric and effective tariff rate have softened. While consumer and business sentiment surveys remain weak, the hard economic data (e.g., jobless claims, CPI, orders) points to a more steady economy. To be sure, it could take time for the costs associated with higher tariffs and global uncertainty to filter through, but in the meantime CBRE has increased its 2025 GDP growth outlook to 1.3% for 2025. Barring further disruptions this provides upside risk for hiring in coming quarters.

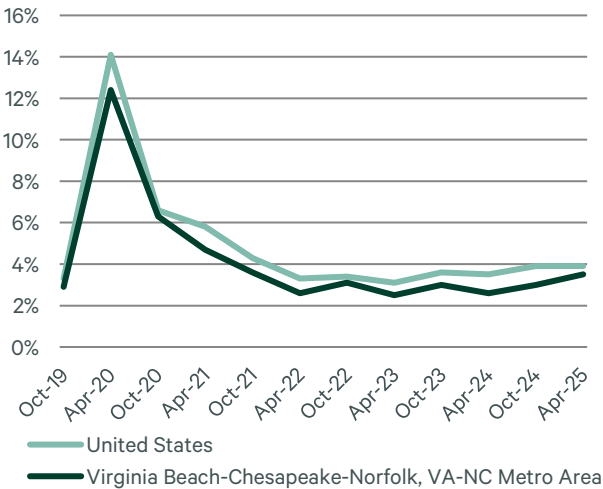
Commercial real estate markets are taking these changes in stride. On the occupier side, continued growth translates into positive absorption for many sectors and markets, including offices. Regarding capital markets, investment volume is on track to exceed 2023 and 2024 levels. This is supported by credit issuance making a turnaround and credit spreads falling back to pre-April 2 levels.

FIGURE 6: Employment Growth by Industry, 12-Month Percent Change



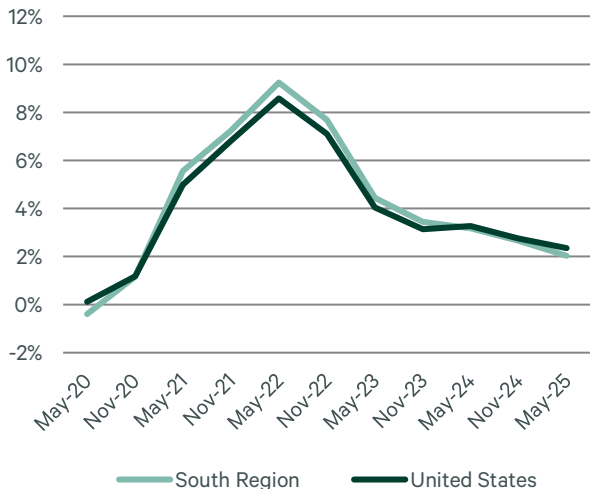
Source: BLS

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 (%)	Q2 2025 Net Absorption (SF)	2025 YTD Net Absorption (SF)	NNN Asking Rent (\$/SF)	Under Construction (SF)
Warehouse	Southside	78,317,340	6.1	(348,250)	(176,797)	9.11	4,667,509
	Peninsula	28,191,646	5.7	(157,245)	(125,030)	9.21	553,532
	Overall	106,508,986	6.0	(505,495)	(301,827)	9.13	5,221,041
Flex	Southside	10,645,858	4.3	1,194	88,342	12.39	18,760
	Peninsula	2,230,881	3.0	(7,095)	3,146	10.37	-
	Overall	12,876,739	4.1	(5,901)	91,488	12.17	18,760
Overall	Southside	88,963,198	5.9	(347,056)	(88,455)	9.45	5,025,929
	Peninsula	30,422,527	5.5	(164,340)	(121,884)	9.27	553,532
	Overall	119,385,725	5.8	(511,396)	(210,339)	9.41	5,579,461

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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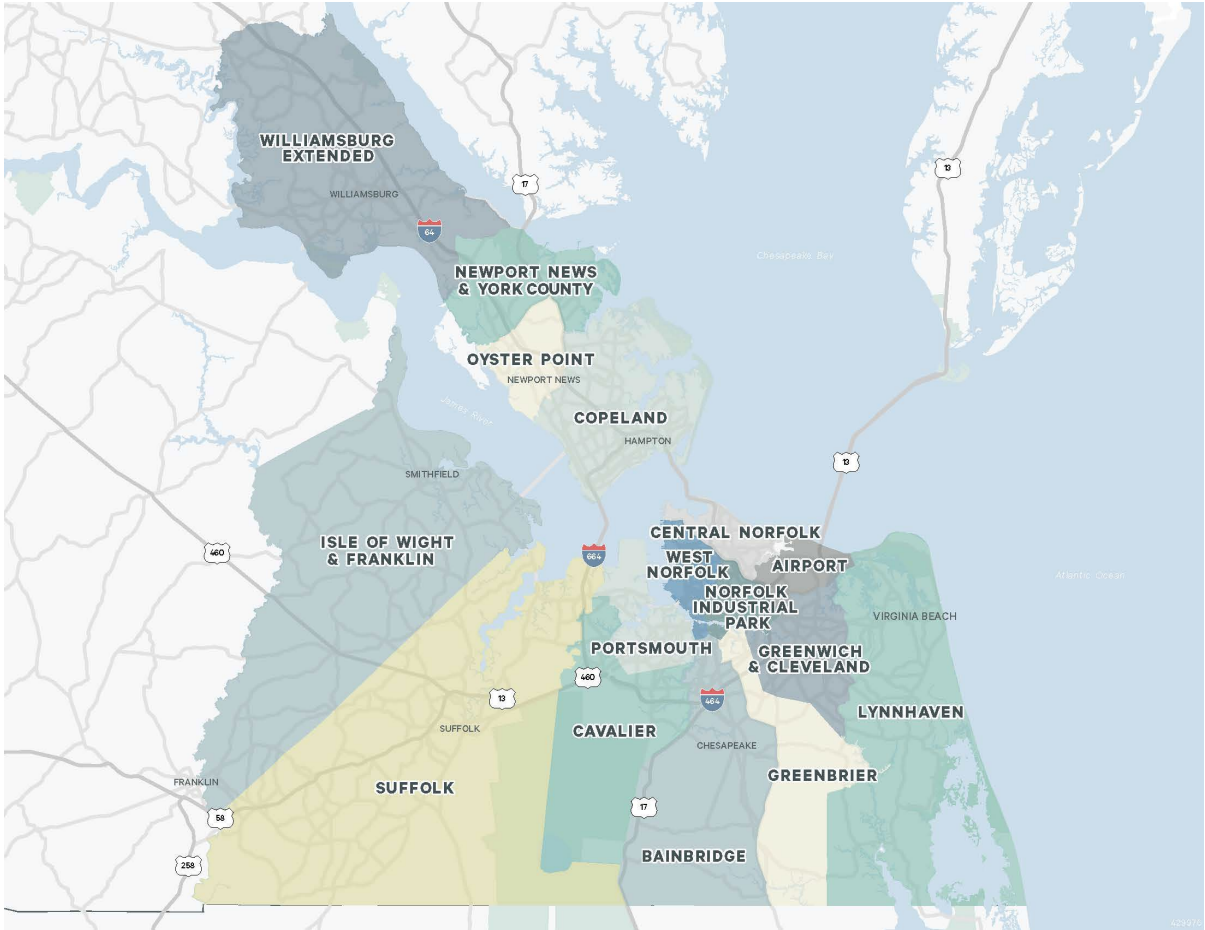
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