ELITE 11

U.S. Industrial Markets

TRANSWESTERN

YEAR-END 2020

ELITE 11 DEFINED

In addition to an analysis of all primary and secondary markets nationwide in its quarterly National Industrial Market Overview, Transwestern tracks 11 growth markets across the U.S. that continue to lure global investors of industrial real estate.

These Elite 11 regions are preferred locations for big-box distribution users and/or areas in high demand by logistics and manufacturing companies.

Growth indicators for the Elite 11 are based primarily on rent acceleration, space absorption and pace of development relative to the size of each market.

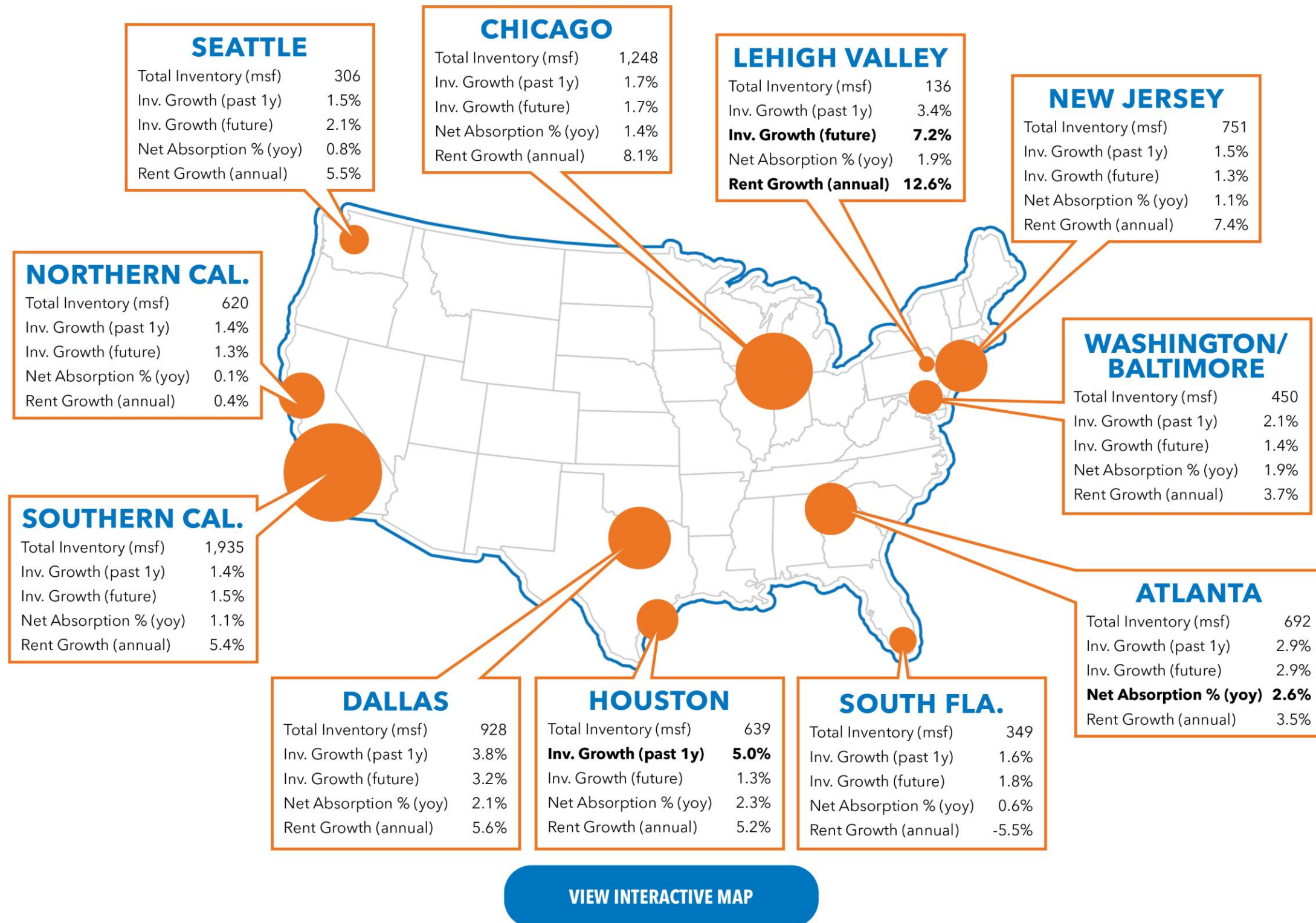| MARKET	INVENTORY (MSF)
Atlanta	692
Chicago	1,248
Dallas / Fort Worth	928
Houston	639
Lehigh Valley	136
New Jersey	751
Northern California	620
Seattle	306
South Florida	349
Southern California	1,935
Washington-Baltimore	450

NATIONAL OUTLOOK

Strong demand for industrial space is being fueled by trends reinforced over the past 12 months. A 44% rise in online shopping during 2020 caused a sharp uptick in e-commerce activity and continues to intensify competition for warehouse and distribution space across the U.S. Additionally, manufacturing ended the year at a six-year high, with PMI climbing to 57.1 in December.

Industrial vacancy closed the year at 5.5% and asking rents climbed to $6.73 per square foot, marking the ninth consecutive year of rent growth. The current environment and favorable outlook for the sector have instilled enough confidence that developers are once again building, despite a short pause at the start of the pandemic. Nationally, 444 million square feet of industrial space is currently under construction, including a significant number of speculative projects.

Lack of skilled workers remains a challenge and increased efforts to improve warehouse efficiency through automation is anticipated. Also, a focus on food supply during COVID-19 has led to an upsurge in demand for cold storage space. These factors are likely to trigger increased development in secondary and tertiary markets, and other property sectors in population centers being targeted for redevelopment.

SEATTLE

Total Inventory (msf)	306
Inv. Growth (past 1y)	1.5%
Inv. Growth (future)	2.1%
Net Absorption % (yoy)	0.8%
Rent Growth (annual)	5.5%

CHICAGO

Total Inventory (msf)	1,248
Inv. Growth (past 1y)	1.7%
Inv. Growth (future)	1.7%
Net Absorption % (yoy)	1.4%
Rent Growth (annual)	8.1%

LEHIGH VALLEY

Total Inventory (msf)	136
Inv. Growth (past 1y)	3.4%
Inv. Growth (future)	**7.2%**
Net Absorption % (yoy)	1.9%
Rent Growth (annual)	**12.6%**

NEW JERSEY

Total Inventory (msf)	751
Inv. Growth (past 1y)	1.5%
Inv. Growth (future)	1.3%
Net Absorption % (yoy)	1.1%
Rent Growth (annual)	7.4%

NORTHERN CAL.

Total Inventory (msf)	620
Inv. Growth (past 1y)	1.4%
Inv. Growth (future)	1.3%
Net Absorption % (yoy)	0.1%
Rent Growth (annual)	0.4%

WASHINGTON/ BALTIMORE

Total Inventory (msf)	450
Inv. Growth (past 1y)	2.1%
Inv. Growth (future)	1.4%
Net Absorption % (yoy)	1.9%
Rent Growth (annual)	3.7%

SOUTHERN CAL.

Total Inventory (msf)	1,935
Inv. Growth (past 1y)	1.4%
Inv. Growth (future)	1.5%
Net Absorption % (yoy)	1.1%
Rent Growth (annual)	5.4%

ATLANTA

Total Inventory (msf)	692
Inv. Growth (past 1y)	2.9%
Inv. Growth (future)	2.9%
Net Absorption % (yoy)	**2.6%**
Rent Growth (annual)	3.5%

DALLAS

Total Inventory (msf)	928
Inv. Growth (past 1y)	3.8%
Inv. Growth (future)	3.2%
Net Absorption % (yoy)	2.1%
Rent Growth (annual)	5.6%

HOUSTON

Total Inventory (msf)	639
Inv. Growth (past 1y)	**5.0%**
Inv. Growth (future)	1.3%
Net Absorption % (yoy)	2.3%
Rent Growth (annual)	5.2%

SOUTH FLA.

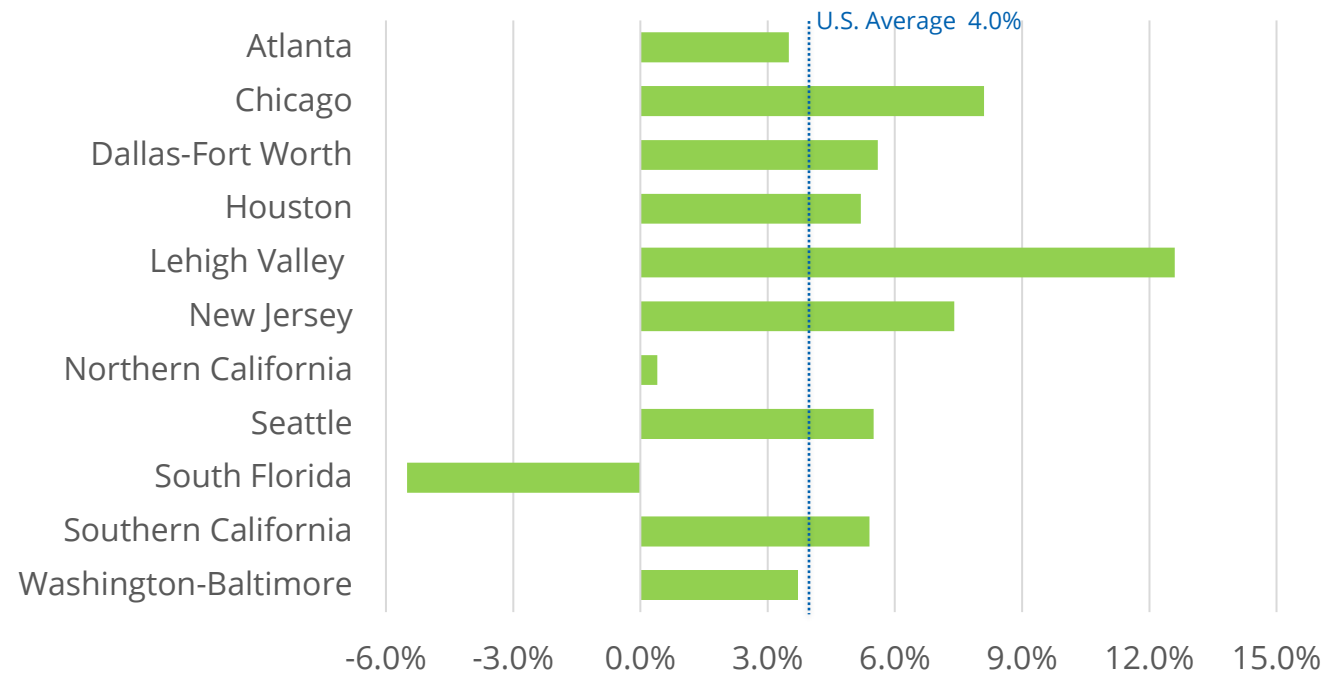|	
Total Inventory (msf)	349
Inv. Growth (past 1y)	1.6%
Inv. Growth (future)	1.8%
Net Absorption % (yoy)	0.6%
Rent Growth (annual)	-5.5%

VIEW INTERACTIVE MAP

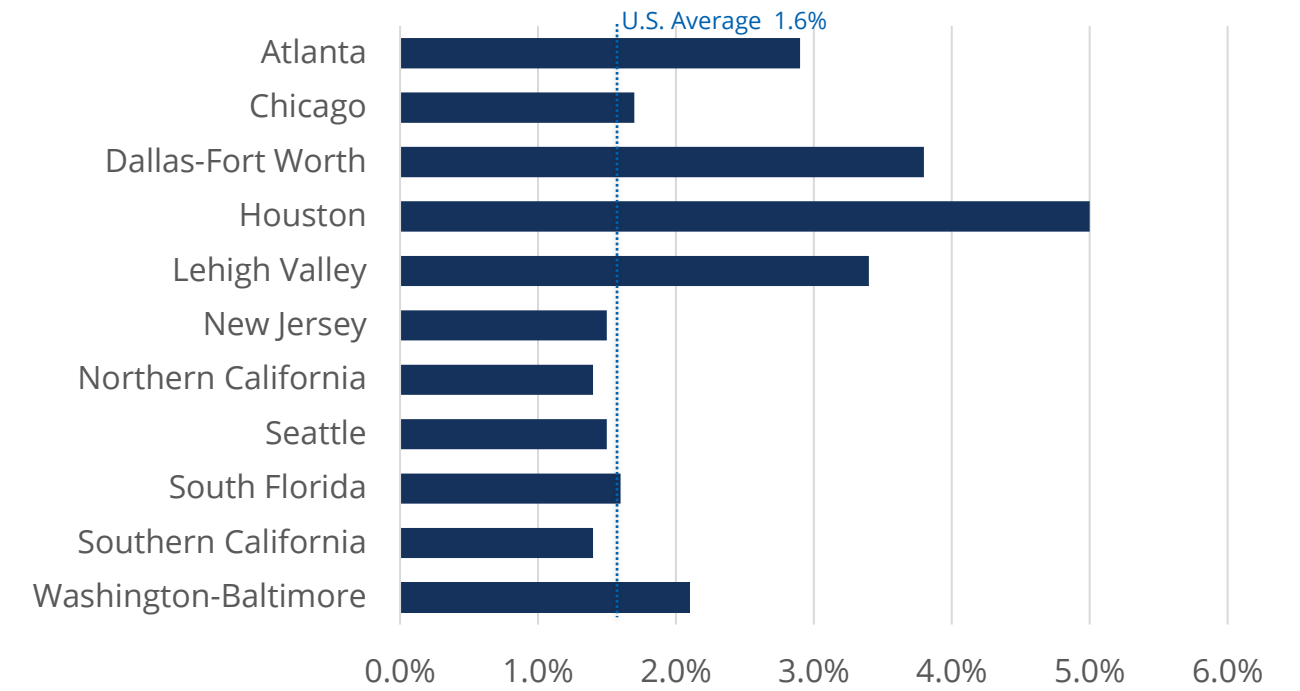**Bold text** indicates top-ranked indicator nationally.

MARKET HIGHLIGHTS

- Texas regions continued to grow at the fastest rate in 2020. Houston was the only market to expand by more than 5% YoY, while Dallas-Fort Worth posted record deliveries.

- Lehigh Valley remains one of the primary targets for big-box users, expanding by 36% in the past decade with growth of 7.2% expected for 2021.

- In addition to Lehigh Valley, which recorded a 12.6% spike in rent over the prior year, Chicago, New Jersey, Dallas-Fort Worth, Seattle, Southern California and Houston all had rent growth above 5%.

- Nine of the Elite 11 markets came in above the 10-year U.S. average rent growth of 2.7%

- Due to strong demand in the second half of 2020, Atlanta led all U.S. markets in YoY net absorption, followed by the Texas regions.

- The strength of the Inland Empire drove Southern California to lead all markets in total occupancy growth for 2020 and product under construction entering 2021.

- Recent port volumes, which recovered from cargo declines recorded in the spring, registered record-setting totals in the fourth quarter of 2020.
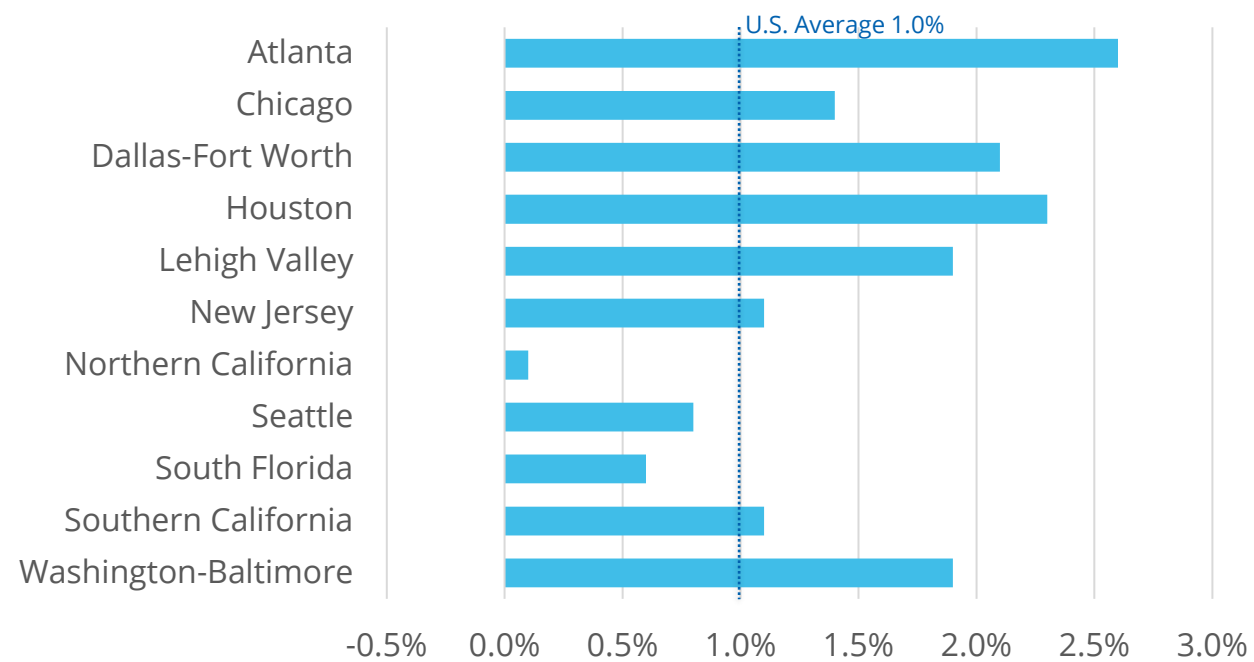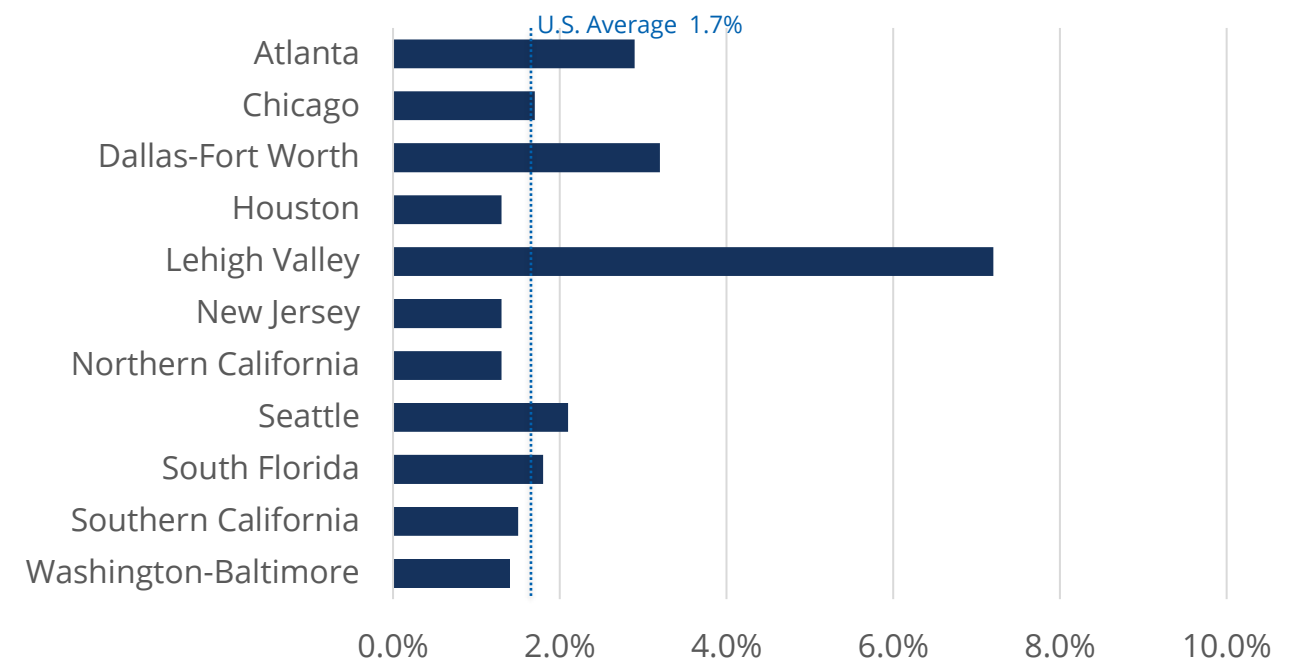
RENT GROWTH
Year-over-Year

U.S. Average 4.0%

- Atlanta
- Chicago
- Dallas-Fort Worth
- Houston
- Lehigh Valley
- New Jersey
- Northern California
- Seattle
- South Florida
- Southern California
- Washington-Baltimore

-6.0% -3.0% 0.0% 3.0% 6.0% 9.0% 12.0% 15.0%

12-MONTH MARKET GROWTH
Percentage of Inventory

U.S. Average 1.6%

- Atlanta
- Chicago
- Dallas-Fort Worth
- Houston
- Lehigh Valley
- New Jersey
- Northern California
- Seattle
- South Florida
- Southern California
- Washington-Baltimore

0.0% 1.0% 2.0% 3.0% 4.0% 5.0% 6.0%

4-QUARTER NET ABSORPTION
Percentage of Inventory

U.S. Average 1.0%

- Atlanta
- Chicago
- Dallas-Fort Worth
- Houston
- Lehigh Valley
- New Jersey
- Northern California
- Seattle
- South Florida
- Southern California
- Washington-Baltimore

-0.5% 0.0% 0.5% 1.0% 1.5% 2.0% 2.5% 3.0%

FUTURE DELIVERIES
Percentage of Inventory

U.S. Average 1.7%

- Atlanta
- Chicago
- Dallas-Fort Worth
- Houston
- Lehigh Valley
- New Jersey
- Northern California
- Seattle
- South Florida
- Southern California
- Washington-Baltimore

0.0% 2.0% 4.0% 6.0% 8.0% 10.0%

ASKING RENT PSF NNN

Market	
Atlanta	
Chicago	
Dallas-Fort Worth	
Houston	
Lehigh Valley	
New Jersey	
Northern California	
Seattle	
South Florida	
Southern California	
Washington-Baltimore	
U.S. AVERAGE	

$0 $3 $6 $9 $12 $15

VACANCY RATE

Market	
Atlanta	
Chicago	
Dallas-Fort Worth	
Houston	
Lehigh Valley	
New Jersey	
Northern California	
Seattle	
South Florida	
Southern California	
Washington-Baltimore	
U.S. AVERAGE	

0.0% 2.0% 4.0% 6.0% 8.0% 10.0%

TRAILING 4-QUARTER NET ABSORPTION (MSF)

Atlanta, Chicago, Dallas-Fort Worth, Houston, Lehigh Valley, New Jersey, Northern California, Seattle, South Florida, Southern California, Washington-Baltimore

0 5 10 15 20 25

UNDER CONSTRUCTION (MSF)

Atlanta, Chicago, Dallas-Fort Worth, Houston, Lehigh Valley, New Jersey, Northern California, Seattle, South Florida, Southern California, Washington-Batimore

0.0 10.0 20.0 30.0 40.0
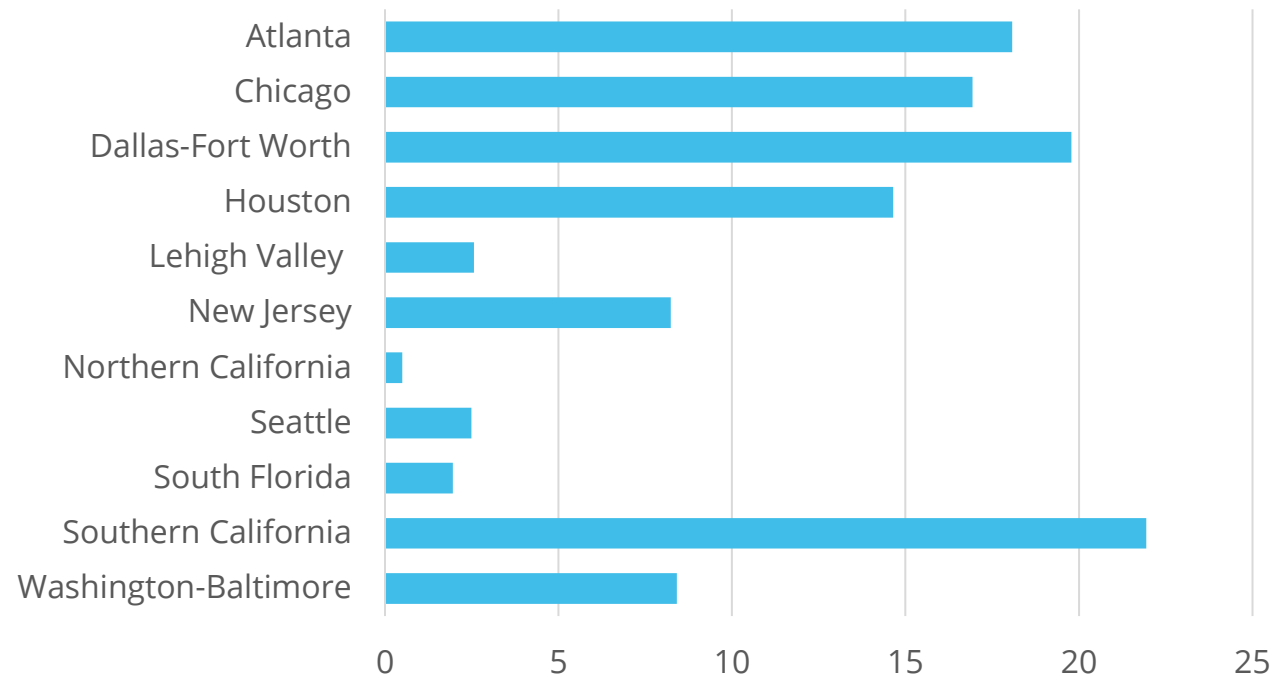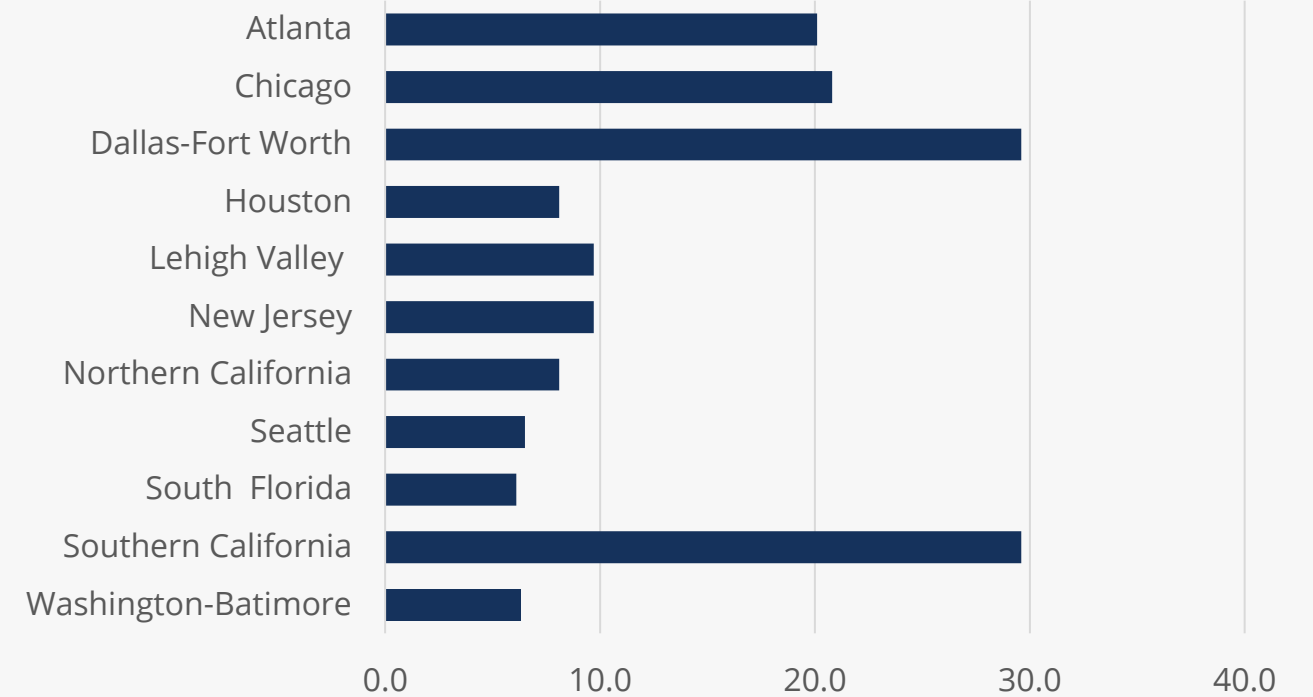
TRANSWESTERN LOCATIONS
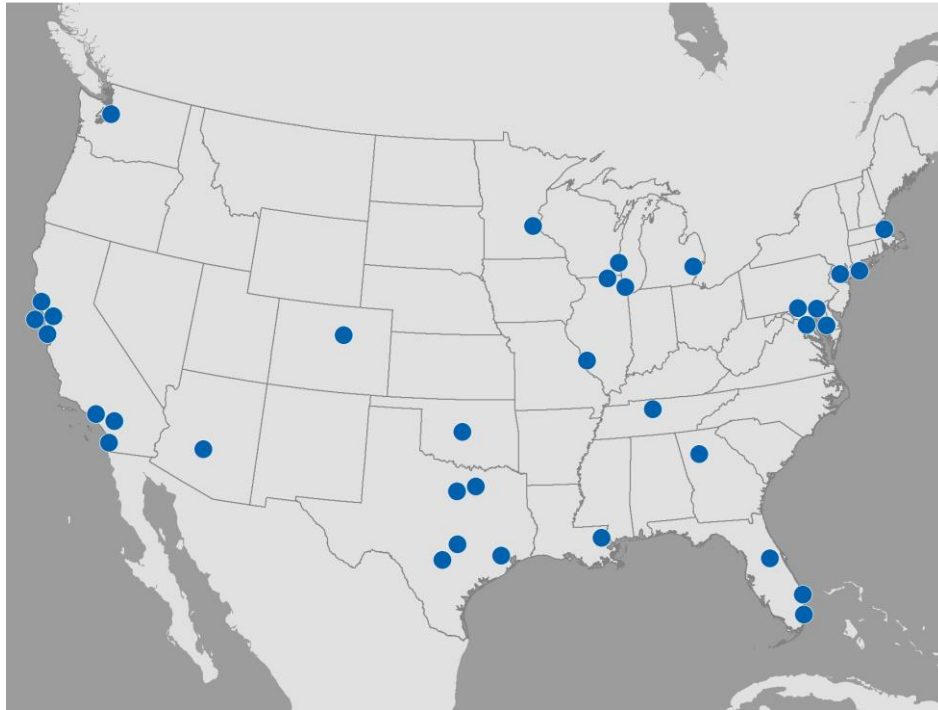
REPORT METHODOLOGY

The information in this report is a compilation of competitive industrial and flex properties located in select U.S. metropolitan areas.

- Northern California includes East Bay/Oakland, Sacramento and San Jose/Silicon Valley
- Southern California includes Inland Empire, Los Angeles, Orange County and San Diego
- South Florida includes Miami and Broward County
- Washington/Baltimore includes Baltimore, District of Columbia, Northern Virginia and Suburban Maryland

TRANSWESTERN RESEARCH

In markets across the country, our research professionals produce sophisticated data analyses, local market reports and insight on national trends that helps clients make informed real estate decisions.

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