



TRANSWESTERN

# COMMERCIAL REAL ESTATE **U.S. MARKET | INDUSTRIAL**

First Quarter 2021

## U.S. TRENDLINES

5-Year Trend    Current Quarter

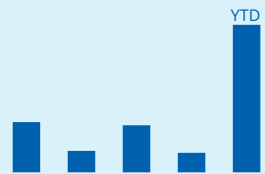
### UNEMPLOYMENT RATE



**6.0%**

Continued growth in construction sector

### RETAIL SALES GROWTH



**15.0%**

Boosted by food and beverage, clothing

### NET ABSORPTION



**104.1 MSF**

Robust opening quarter following strong 2020 finish

### VACANCY



**5.3%**

Much of the vacant space is obsolete

### UNDER CONSTRUCTION



**494.9 MSF**

New deliveries at 18-month low

### ASKING RENT



**\$6.86 PSF**

YoY growth highest in 18 months

## U.S. HIGHLIGHTS

### ECONOMY

- Employers added 916,000 jobs in March and the unemployment rate improved to 6.0%, down from the peak of 14.8% in April 2020.
- Industrial-using jobs grew at a higher rate than most sectors, bolstered by strong gains in construction and manufacturing.
- Consumer spending was boosted by stimulus checks.
- E-commerce's share of total U.S. retail sales expanded by 23.8% in 2020.

### INDUSTRIAL MARKET

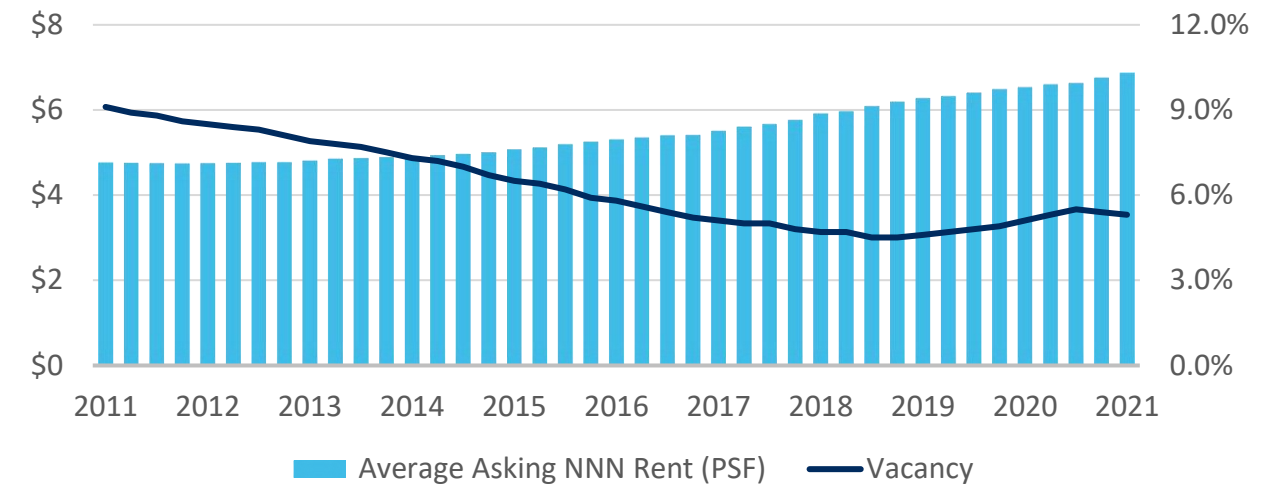
- Q1 was the second straight quarter of more than 100 MSF of positive net absorption.
- Occupancy levels increased in 36 of 41 markets in Q1 and 38 markets year over year.
- Strong leasing velocity coupled with a low level of deliveries caused a reduction in overall vacancy.
- Though at a record level, total space under construction falls short of demand in many markets.
- Rents increased in more than 80% of the markets, with double-digit percentage growth in six regions.

### LOOKING AHEAD

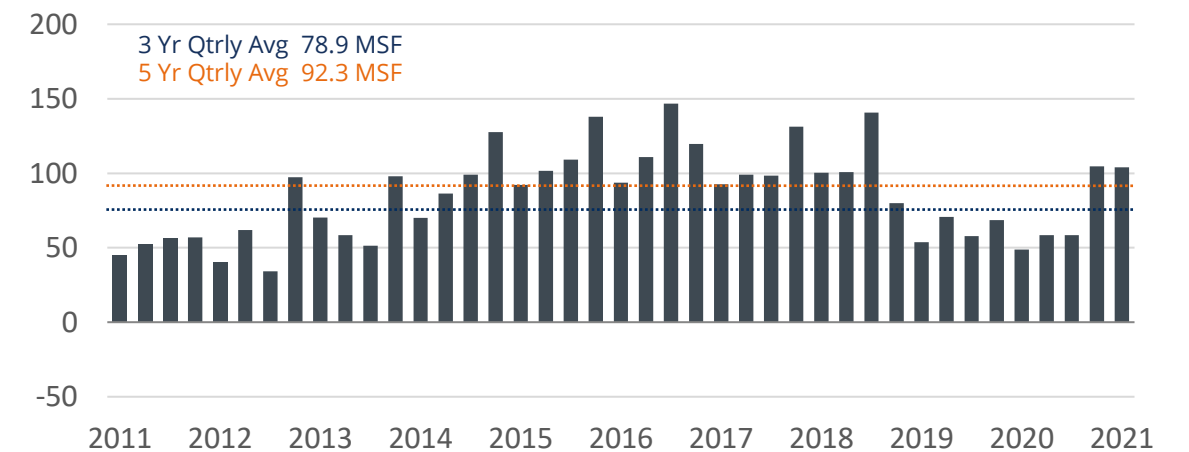
- Pent-up demand in the supply chain will result in additional job growth within the industrial sector as some of the backlog is cleared.
- Continued supply chain disruption resulting in a build-up of related goods will lead to more demand for storage space.
- While Amazon has accounted for nearly one-third of leasing for recent construction, now all eyes are on other big-box retailers and shipping companies.
- Consumer spending habits have changed forever, boding well for all facets of the industrial market.

## U.S. HISTORICAL

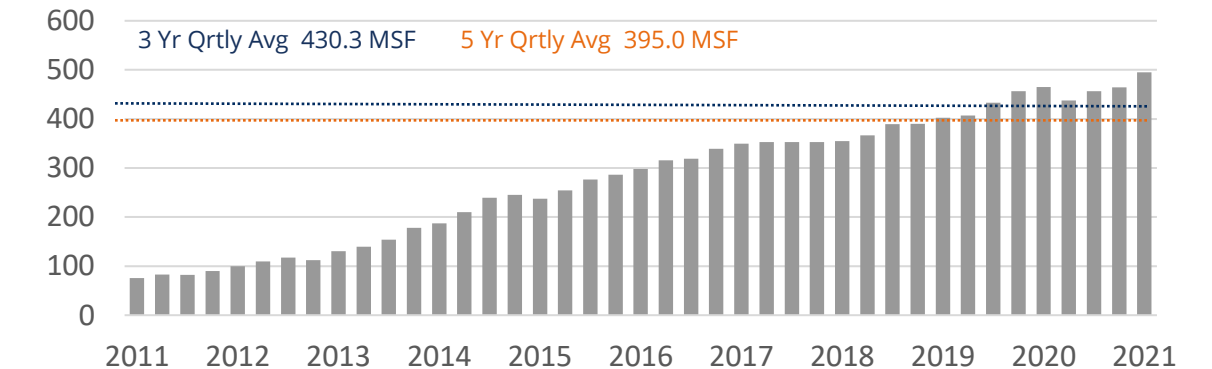
### VACANCY VS ASKING RENT



### NET ABSORPTION (MILLION SF)

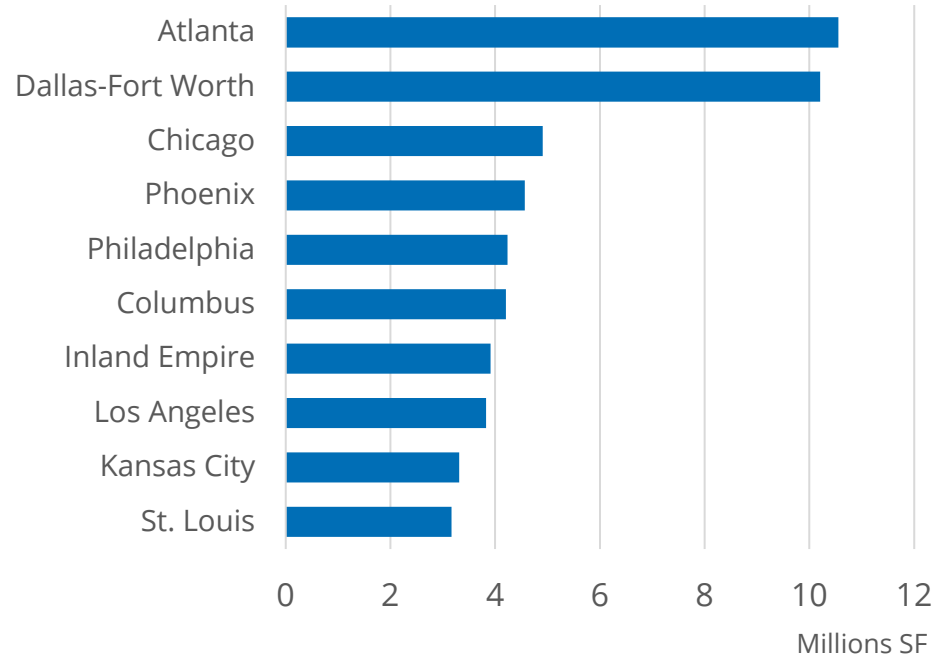


### UNDER CONSTRUCTION (MILLION SF)



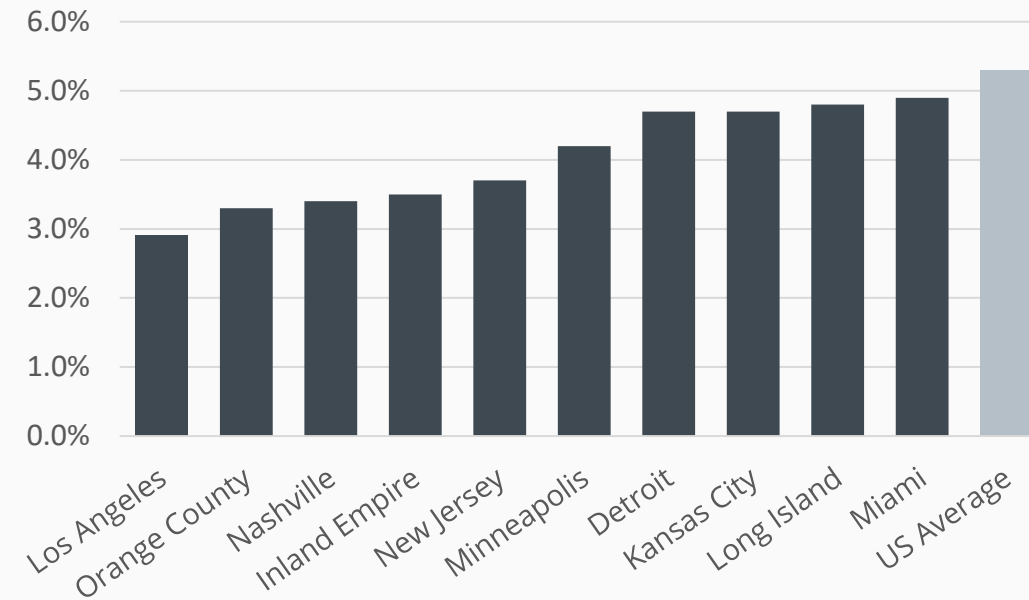
### NET ABSORPTION

Q1 2021 Net Absorption



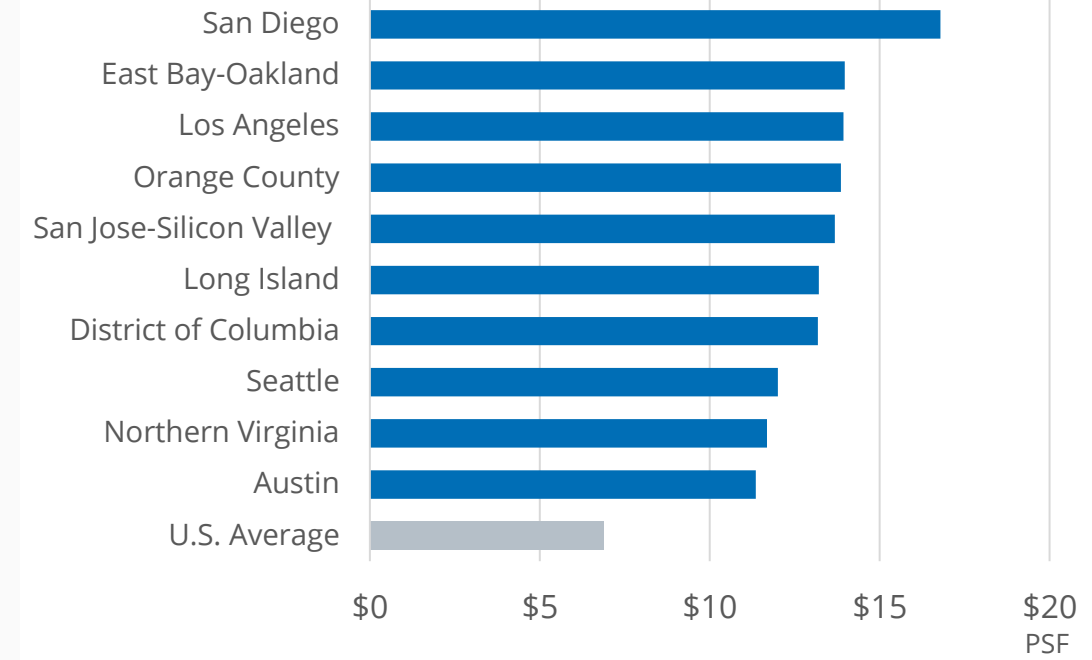
### VACANCY/CONSTRUCTION

Q1 2021 Vacancy Rate

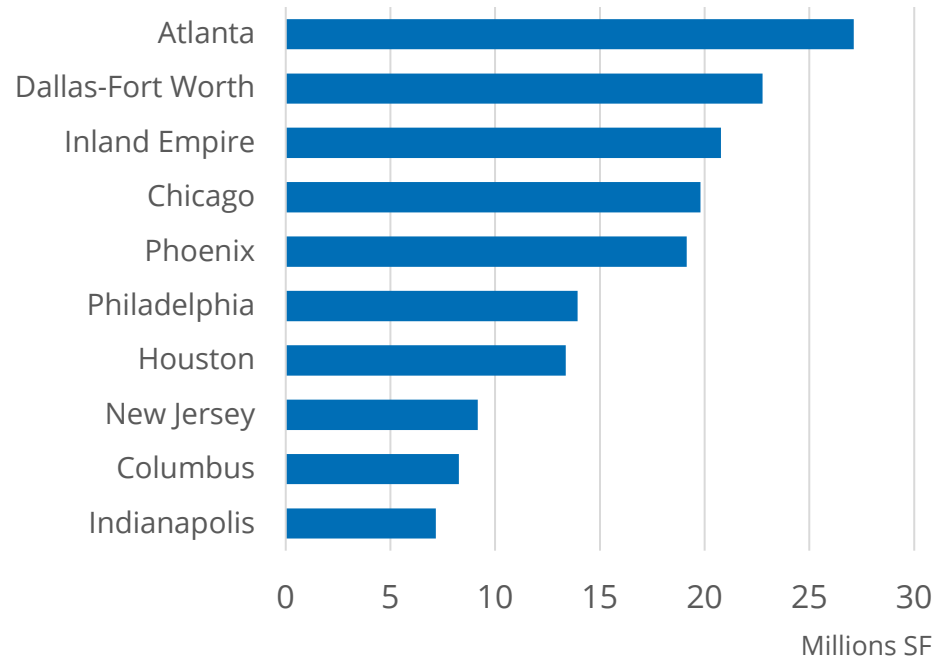


### ASKING RENTS

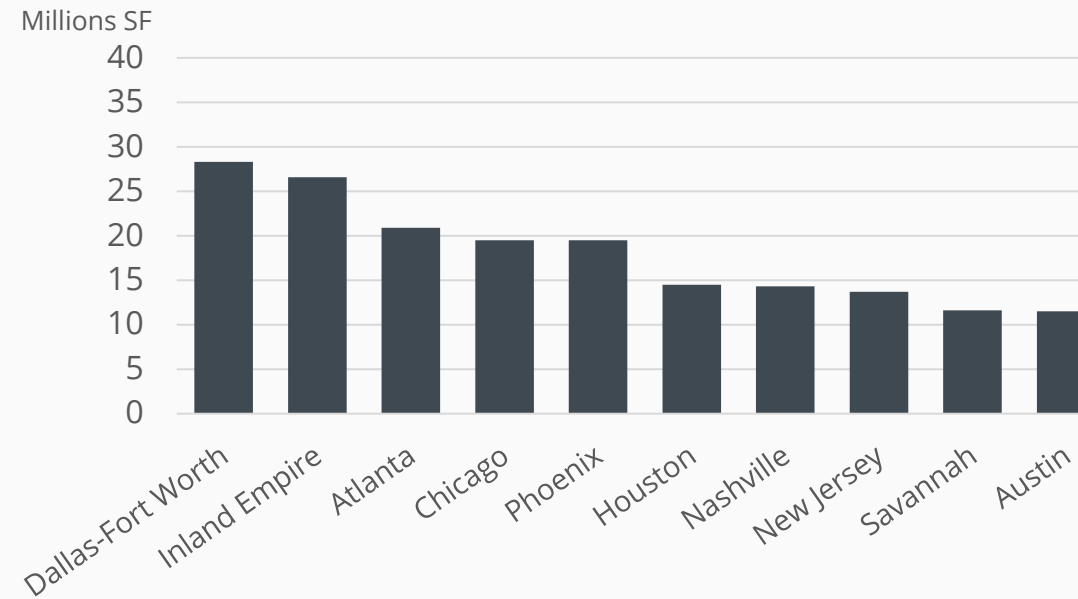
Q1 2021 Asking Rate NNN



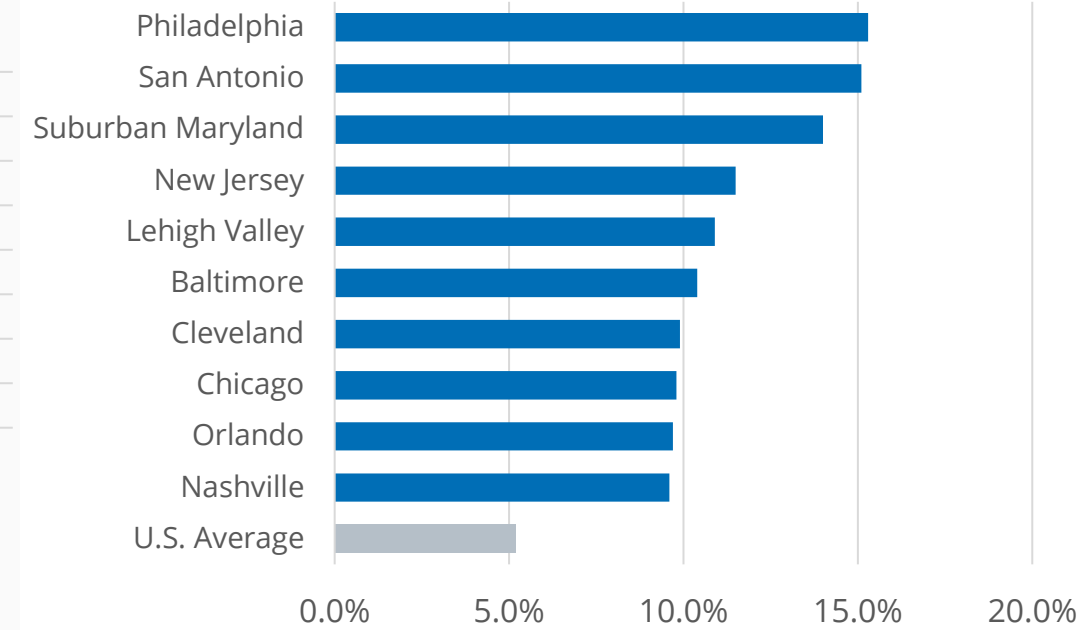
### Trailing 4-Qtr Net Absorption



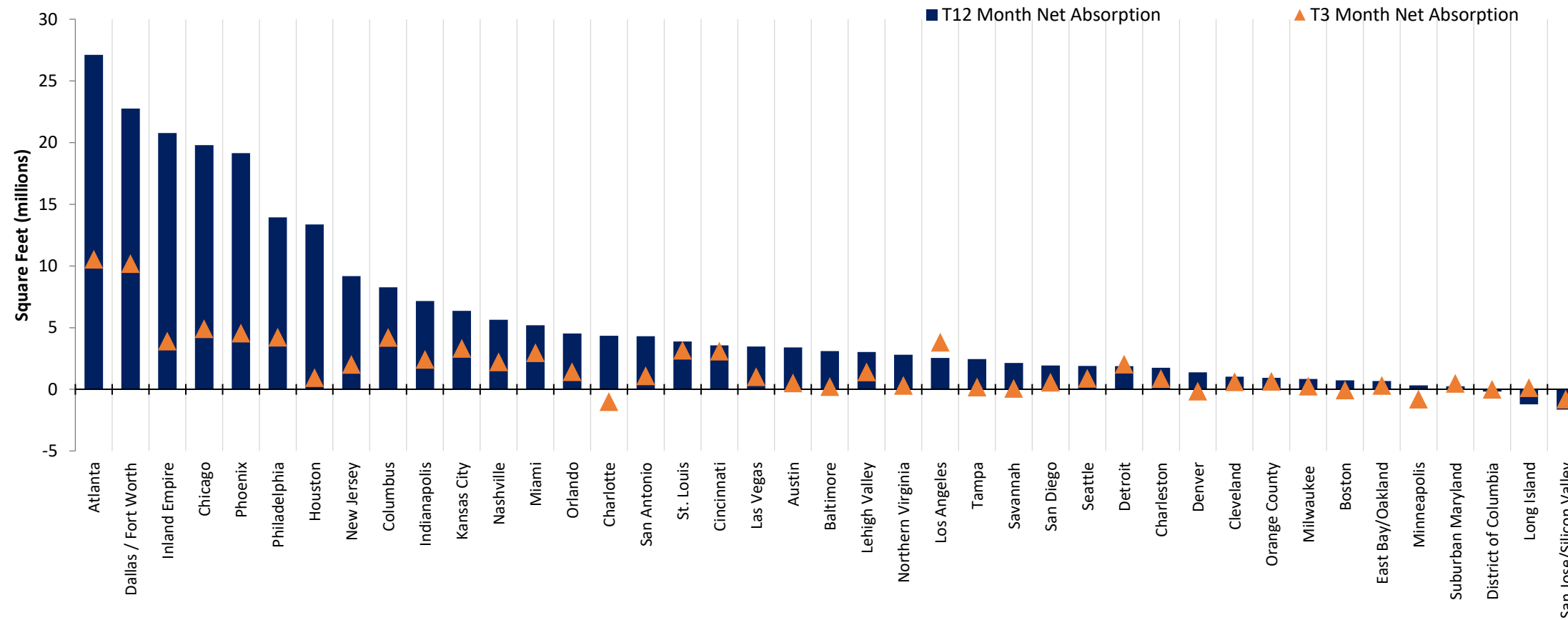
### Q1 2021 Under Construction



### Year-Over-Year Rent Growth

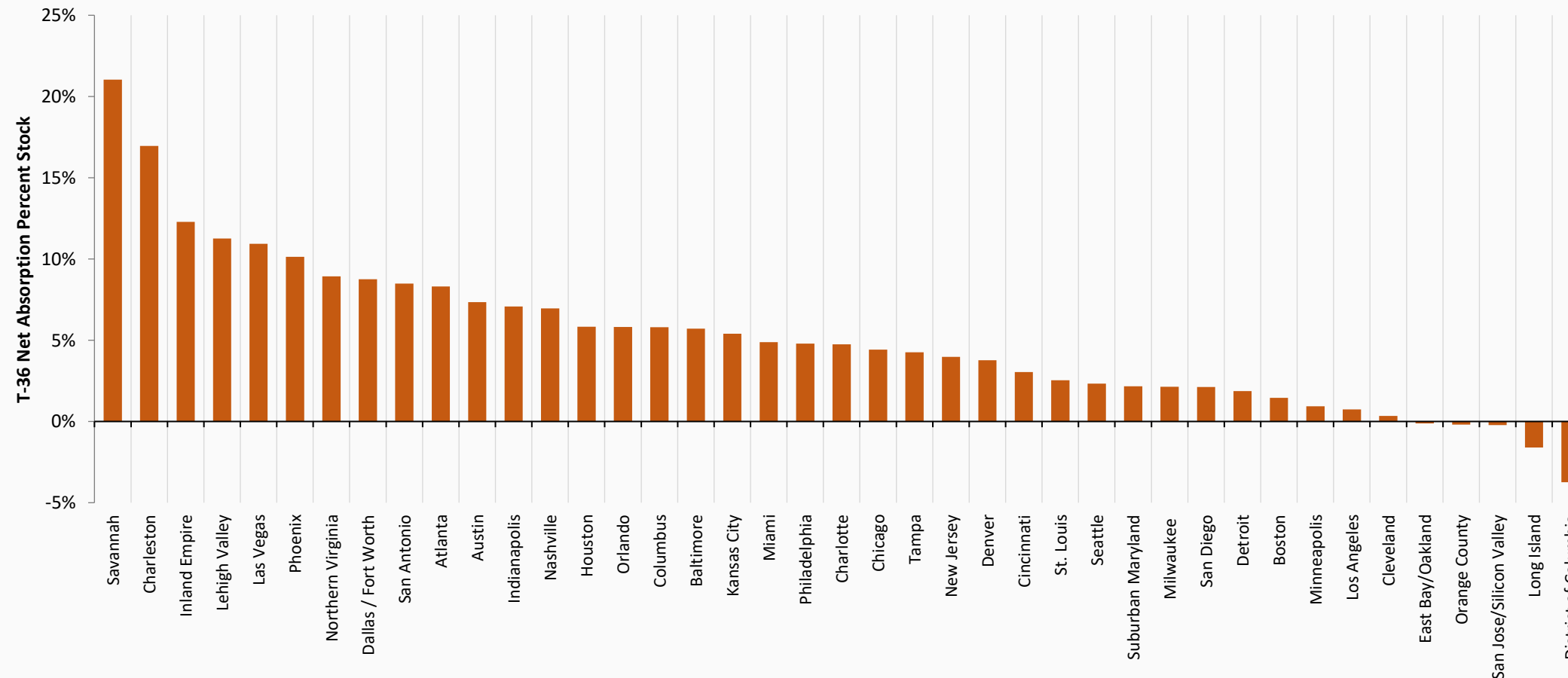


## NET ABSORPTION



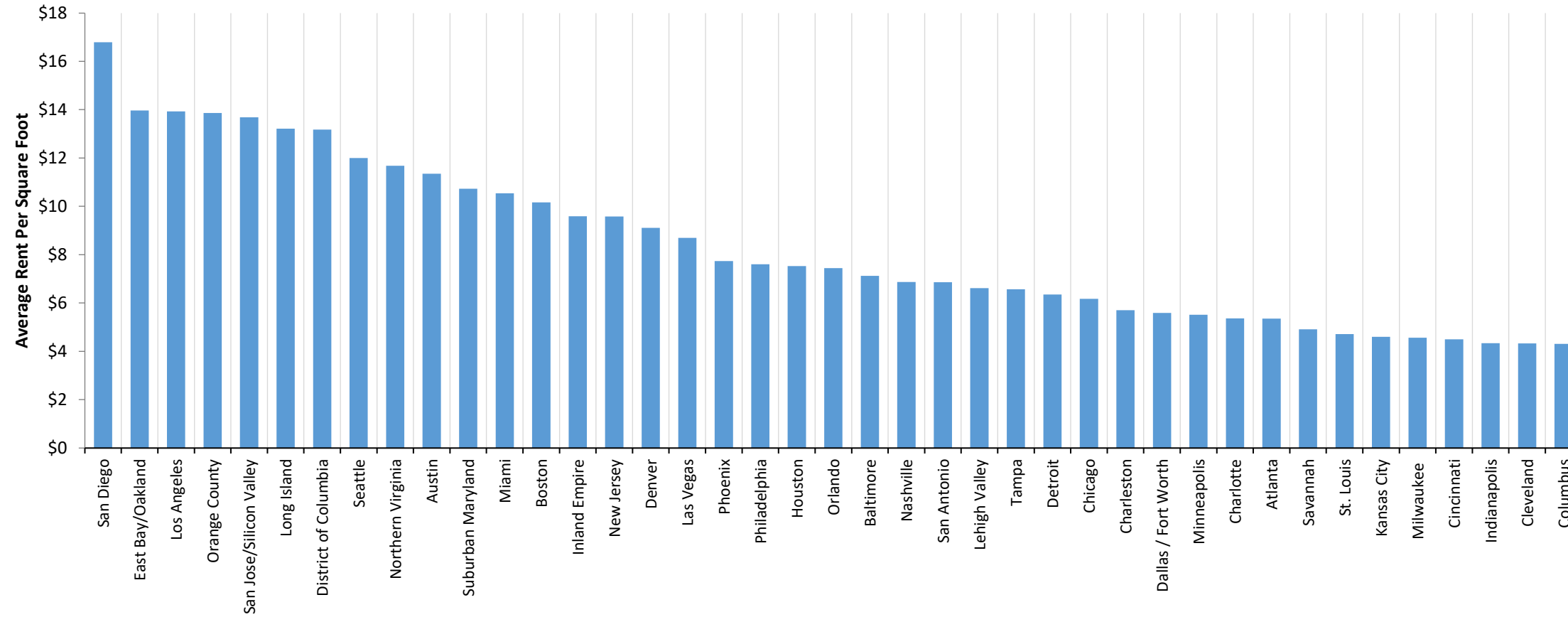
- Positive annual net absorption was experienced in most markets despite the economic downturn, along with relatively low vacancy rates for industrial product.
- Further, over 85% of these markets posted positive net absorption in Q1 – with Atlanta, Dallas, Chicago, Phoenix, Philadelphia and Columbus each absorbing more than 4 million SF.

## MARKET EXPANSION: 3 YEAR NET ABSORPTION % STOCK



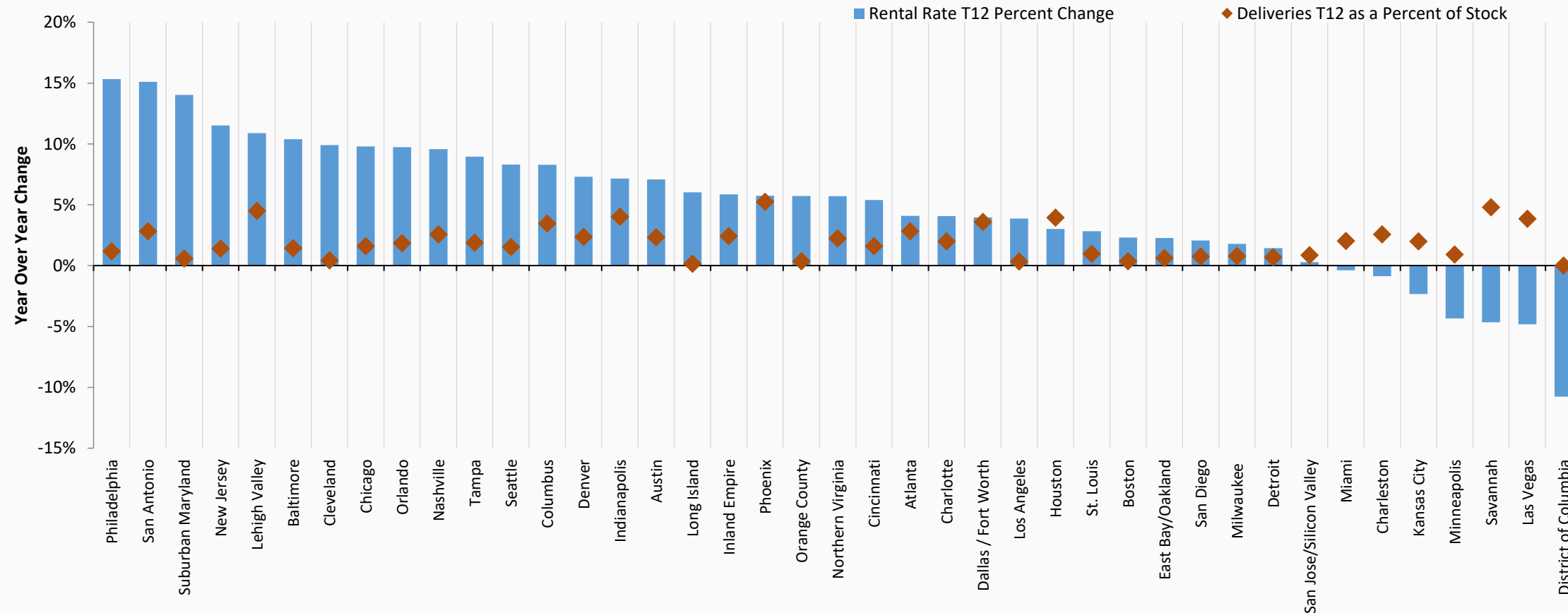
- Here we consider 3-year net absorption as a percent of stock. A higher percentage indicates that a market is more expansionary.
- Markets growing the most quickly include Savannah, Charleston, Inland Empire, Lehigh Valley, Las Vegas and Phoenix.

## RENTAL RATES (NNN)



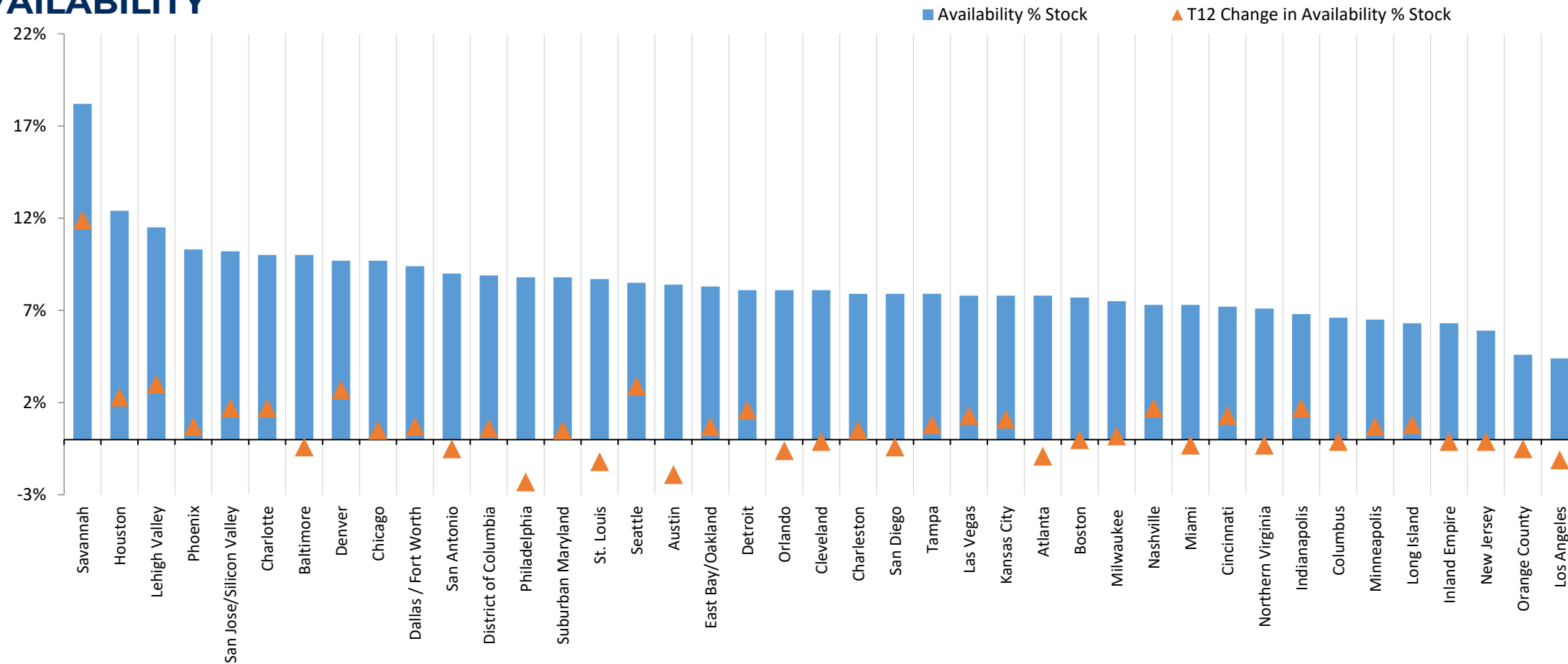
- Markets with the highest rental rates include San Diego, East Bay, Los Angeles, Orange County and San Jose – all located in California.
- Some Midwestern markets with low rental rates saw relatively high rent growth over the past year, including Cleveland, Chicago, Columbus and Indianapolis.

## RENTAL RATE CHANGE



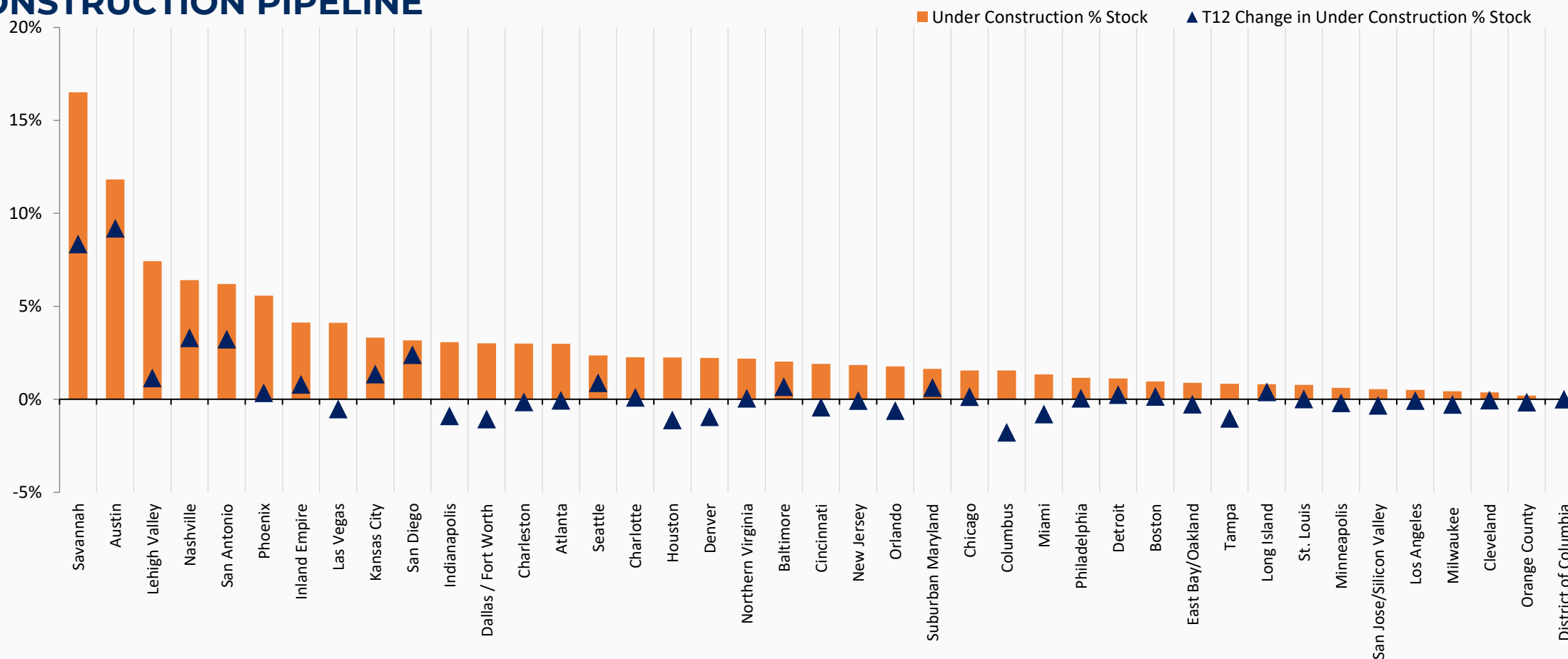
- Over half of the tracked markets saw rental growth for the year surpass 5%.
- While a few of the markets with negative rental-rate changes may be reacting to recent heightened supply (e.g., Las Vegas, Savannah), others may be adjusting to low or negative net absorption (e.g., D.C., Minneapolis).

### AVAILABILITY



- Posting the second-highest deliveries as a percent of stock over the past year, Savannah leads with the most available square feet as a percent of stock.
- Not surprisingly, coastal markets where the busiest U.S. container ports are located report the lowest availability as a percent of stock.

### CONSTRUCTION PIPELINE



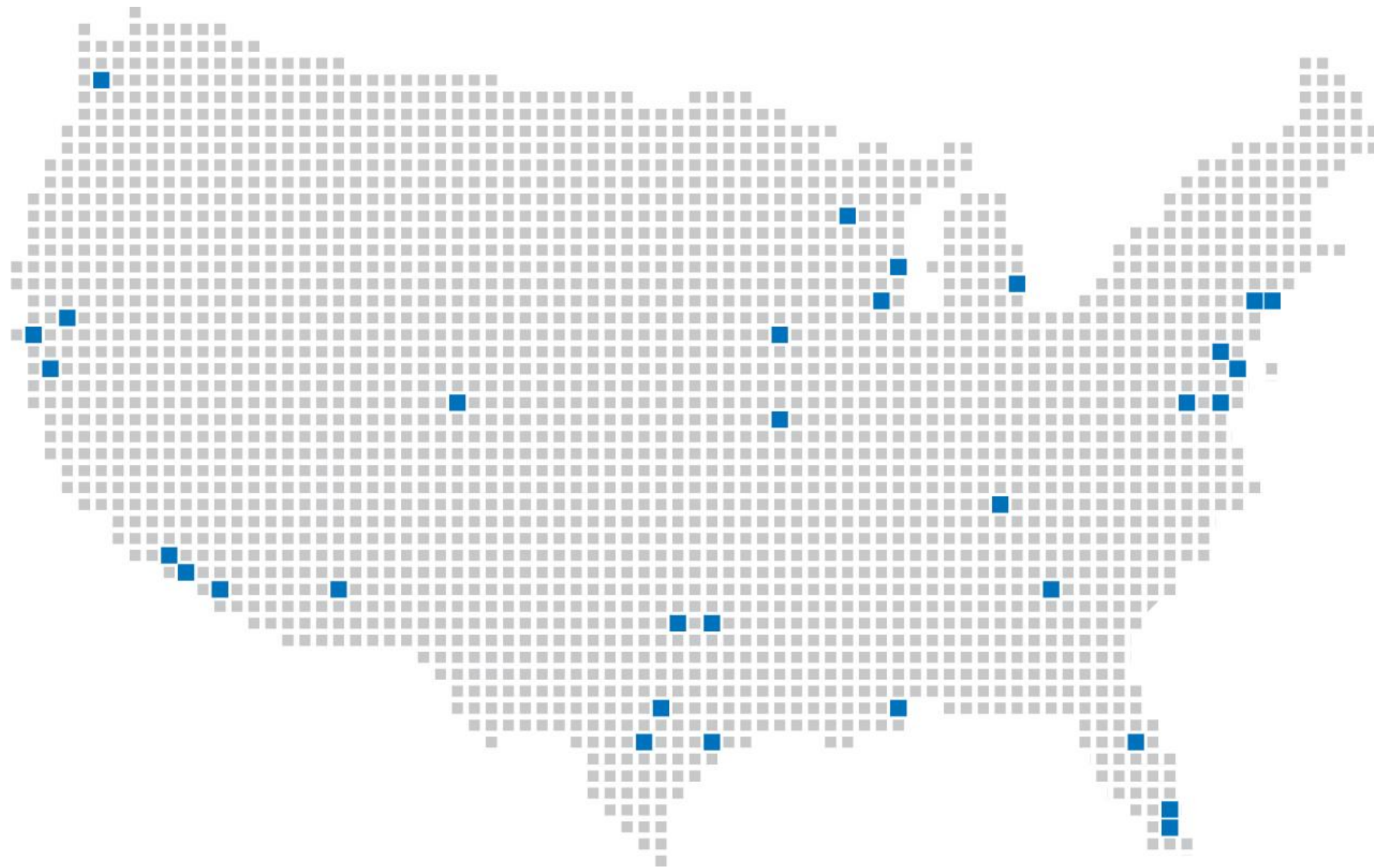
- Under-construction stock is indicative of future expansion.
- Savannah and Austin are growing relatively quickly with under-construction stock over 10%.
- Growth in the Sunbelt is evidenced here, as Savannah, Austin, Nashville and San Antonio have seen the most acceleration of under-construction SF as a percent of stock over the past year.

Market	Inventory Square Feet	Overall Vacancy Rate	Direct Vacancy Rate	Net Absorption	12-Month Net Absorption	Asking Rent NNN	Annual Rent Change	Under Construction
Atlanta	692,067,078	5.9%	5.6%	7,109,068	18,072,092	\$5.28	3.5%	20,058,830
Austin	97,216,663	7.2%	6.5%	830,062	3,080,525	\$11.04	8.1%	10,599,344
Baltimore	227,490,111	8.2%	7.9%	2,004,354	5,113,951	\$6.83	0.3%	3,690,303
Boston	327,707,960	4.8%	4.6%	(825,370)	1,341,765	\$10.06	5.1%	3,215,671
Charleston	79,026,475	8.4%	8.0%	(480,842)	1,289,412	\$5.72	0.5%	1,891,587
Charlotte	319,476,727	7.2%	6.8%	3,007,947	5,296,030	\$5.41	3.8%	2,698,091
Chicago	1,248,105,856	6.3%	6.0%	6,303,805	16,933,107	\$6.03	8.1%	20,819,408
Cincinnati	318,536,238	6.0%	5.7%	828,558	750,440	\$4.44	3.3%	7,539,758
Cleveland	326,749,784	5.1%	5.0%	643,652	168,891	\$4.28	7.8%	1,022,527
Columbus	298,589,730	6.7%	6.3%	3,600,645	4,224,549	\$4.26	7.0%	5,630,807
Dallas-Fort Worth	927,528,370	7.5%	6.9%	3,113,604	19,786,560	\$5.66	5.6%	29,574,749
Denver	237,100,569	6.2%	5.6%	317,670	2,794,294	\$8.91	7.9%	6,232,437
Detroit	555,619,665	4.6%	4.4%	(1,010,237)	(1,438,304)	\$6.37	3.6%	7,741,834
District of Columbia	9,399,527	7.7%	7.5%	(55,845)	(211,487)	\$14.70	-2.8%	0
East Bay-Oakland	246,812,915	6.4%	5.7%	195,425	1,047,567	\$14.01	4.9%	2,230,939
Houston	638,960,689	8.8%	8.6%	6,283,301	14,646,835	\$7.65	5.2%	8,134,161
Indianapolis	330,399,785	6.2%	5.6%	(206,171)	3,308,129	\$4.37	11.2%	10,015,999
Inland Empire	641,236,844	3.8%	3.4%	4,717,698	23,644,552	\$9.21	-2.6%	19,378,877
Kansas City	291,515,537	5.2%	5.0%	1,787,201	6,299,947	\$4.56	-4.0%	7,763,457
Las Vegas	135,259,054	6.7%	6.1%	1,710,284	3,771,020	\$8.55	-3.9%	4,722,949
Lehigh Valley	135,590,420	5.9%	5.3%	1,199,537	2,557,886	\$6.52	12.6%	9,710,090

Market	Inventory Square Feet	Overall Vacancy Rate	Direct Vacancy Rate	Net Absorption	12-Month Net Absorption	Asking Rent NNN	Annual Rent Change	Under Construction
Long Island	152,782,044	5.0%	4.7%	(701,853)	(2,201,535)	\$12.92	5.8%	361,929
Los Angeles	842,958,649	3.4%	3.0%	(1,065,042)	(4,109,565)	\$13.96	5.7%	4,202,869
Miami	229,243,129	5.2%	4.9%	2,507,334	2,196,938	\$10.45	-9.2%	4,440,657
Milwaukee	242,612,259	4.4%	4.4%	1,638,027	3,701,393	\$4.35	-2.7%	1,661,092
Minneapolis	374,783,249	3.9%	3.7%	242,299	290,887	\$5.56	-4.1%	2,399,743
Nashville	219,079,547	3.6%	3.4%	1,427,908	4,685,554	\$6.68	14.0%	15,794,262
New Jersey	751,118,573	4.1%	3.8%	3,358,627	8,232,771	\$9.54	7.4%	9,715,223
Northern Virginia	107,887,540	5.3%	5.0%	1,301,467	2,426,818	\$11.37	6.7%	1,772,396
Orange County	273,532,312	3.5%	3.0%	467,090	1,044,893	\$13.68	4.6%	332,382
Orlando	163,663,875	5.5%	5.2%	1,766,149	3,821,977	\$7.23	7.7%	3,907,041
Philadelphia	528,036,338	5.3%	5.1%	1,625,189	6,273,864	\$7.26	11.5%	9,880,834
Phoenix	346,089,425	7.5%	7.2%	7,711,889	16,010,016	\$7.66	6.7%	7,978,895
San Antonio	131,546,580	7.3%	6.9%	476,524	4,640,551	\$6.78	12.6%	6,397,177
San Diego	176,908,856	5.7%	5.3%	978,173	1,364,005	\$16.80	2.4%	5,705,075
San Jose-Silicon Valley	208,424,382	6.9%	6.2%	(488,998)	(899,230)	\$13.39	2.5%	1,507,835
Savannah	71,109,456	8.5%	7.2%	985,302	3,457,214	\$4.91	-9.2%	7,884,013
Seattle	306,136,355	5.6%	5.1%	1,310,732	2,483,937	\$11.64	5.5%	6,496,163
St. Louis	294,502,393	5.7%	5.3%	(150,177)	1,475,458	\$4.71	4.4%	2,779,947
Suburban Maryland	104,883,806	6.9%	6.6%	(153,534)	1,082,190	\$9.74	10.6%	837,500
Tampa	177,236,038	5.7%	5.5%	1,075,786	2,720,269	\$6.41	7.2%	483,914



## TRANSWESTERN LOCATIONS



## ABOUT TRANSWESTERN

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## RESEARCH METHODOLOGY

The information in this report is a compilation of single and multi-tenant industrial and flex properties located in select U.S. metropolitan areas. Government-owned buildings are excluded from analysis. All rents are reported as triple net.

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