

ELITE 11

U.S. Industrial Markets



TRANSWESTERN

MID-YEAR 2021

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 | 705 |
| Chicago | 1,262 |
| Dallas / Fort Worth | 947 |
| Houston | 644 |
| Lehigh Valley | 141 |
| New Jersey | 744 |
| Northern California | 454 |
| Seattle | 309 |
| South Florida | 353 |
| Southern California | 1,951 |
| Washington-Baltimore | 455 |

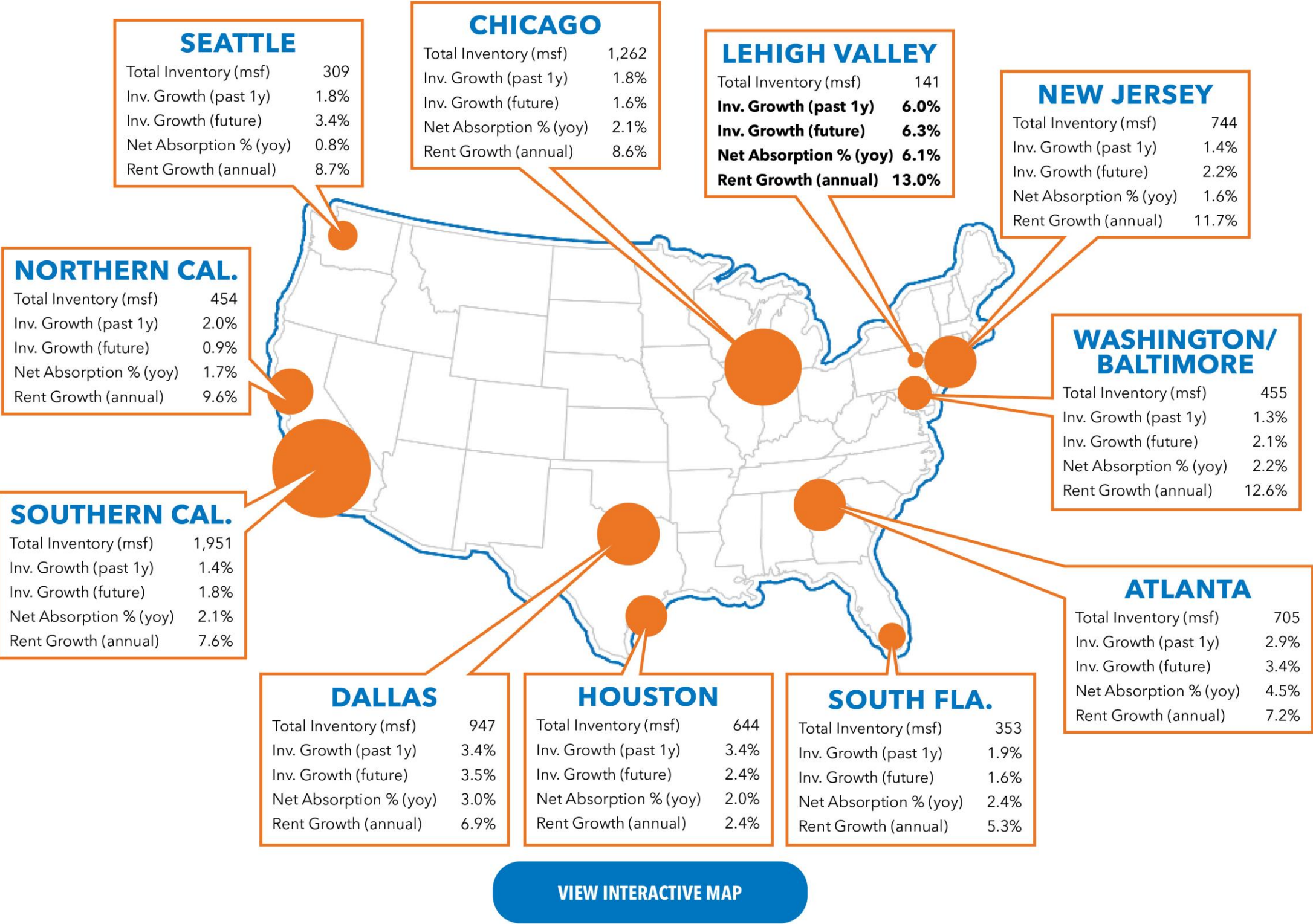
NATIONAL OUTLOOK

The U.S. industrial market continues to prosper during the pandemic, posting more than 100 million square feet of positive net absorption for the third consecutive quarter. Additionally, the national vacancy rate dropped to 5.2%, the lowest level since the start of the pandemic. After slowing during much of 2020, rent growth acceleration has returned to pre-pandemic levels.

While new inventory delivered to the market during the second quarter was at its lowest level in more than two years, the 573.7 million square feet currently under construction is 30% higher year over year and double that of year-end 2015. Several Elite 11 markets had a record amount of product under construction as of Q2 2021.

Record cargo volumes at America’s ports is creating bottlenecks in the supply chain, which is anticipated to remain congested well into 2022. E-commerce’s share of overall retail sales growth cooled in the second quarter due to the reopening of brick-and-mortar stores. However, it is expected that retailers will continue to invest more in e-commerce, while food and beverage companies will continue to expand industrial footprints, further fueling demand in both primary and secondary markets.





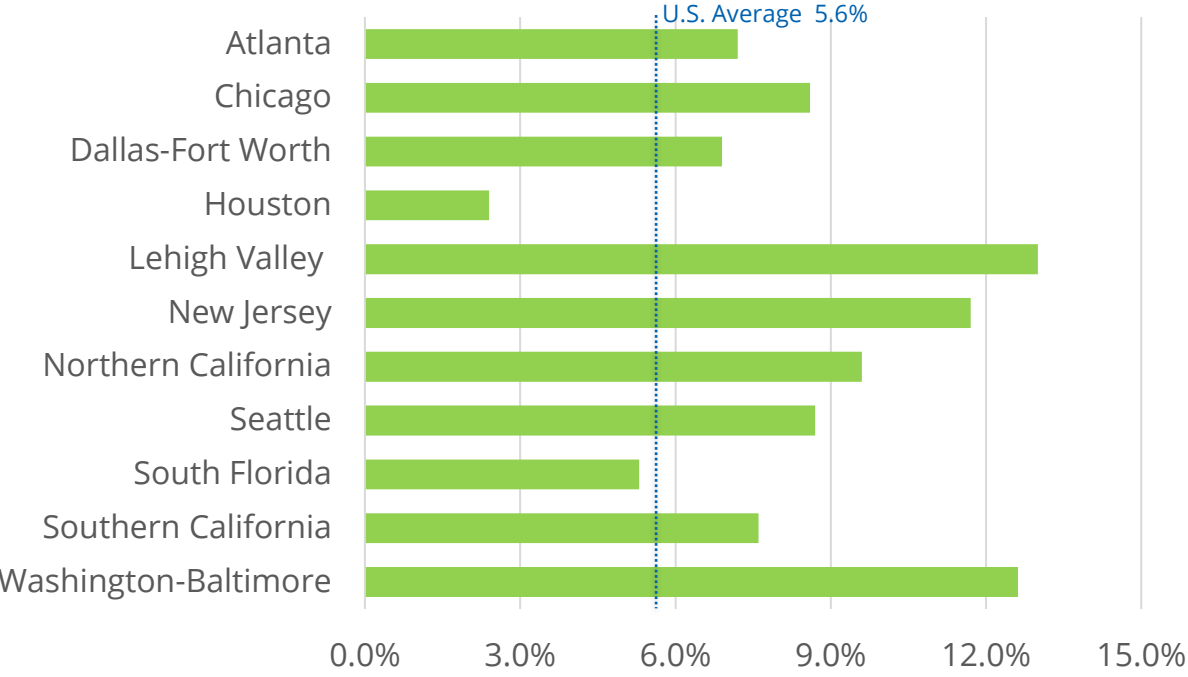
Bold text indicates top-ranked indicator nationally.

MARKET HIGHLIGHTS

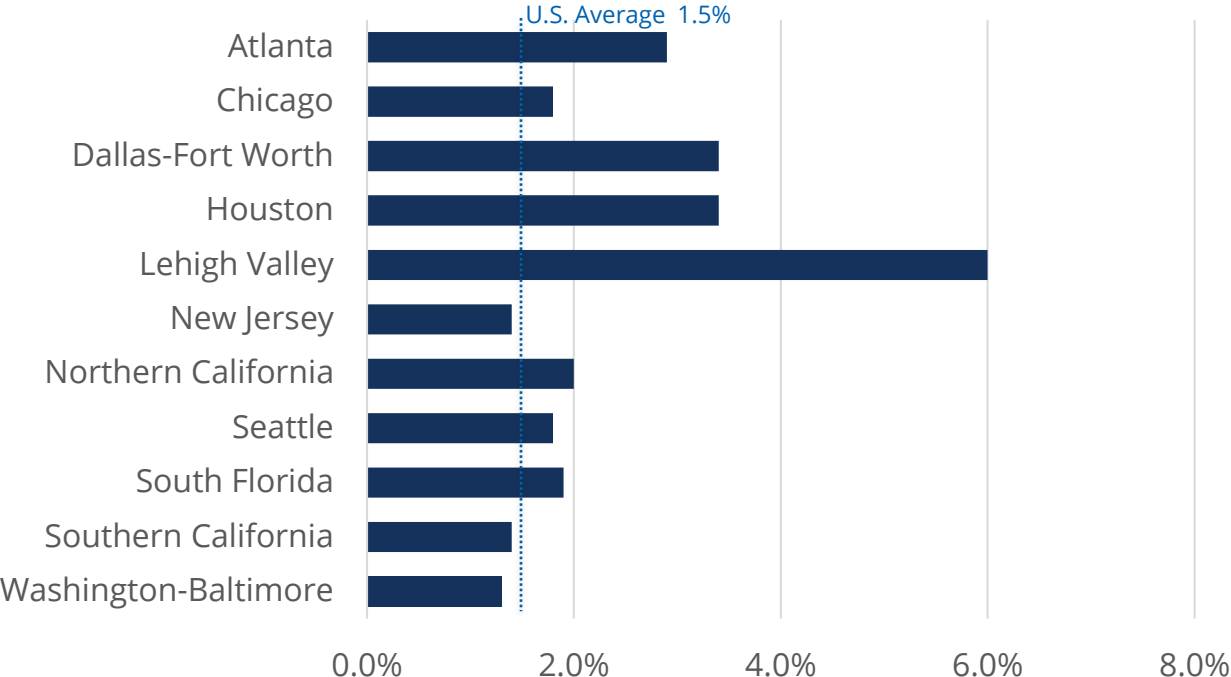
- Lehigh Valley remained one of the hottest industrial growth markets, posting the top rank for all four key performance indicators.
- Despite its large size and strong pipeline of new construction, Atlanta ranked second in net absorption as a percentage of inventory, and its vacancy rate continued to decline.
- Texas regions continued to demand new development as Houston and Dallas/Fort Worth each recorded strong inventory growth during the past 12 months.
- Historical demand is leading to massive speculative development in the Inland Empire region of Southern California.
- Rents climbed to historic levels in South Florida. As construction is absorbed quickly, owners of existing product push rates higher.
- Washington/Baltimore ranked second in annual rent growth as strong demand spurred several large-scale projects.
- New Jersey recorded double-digit annual rent growth, its highest in four years.
- Pent-up demand in Chicago led to a 15-year high net absorption for the first half of a year, while driving rents to record levels.
- Annual rent growth for eight of 11 markets doubled the 10-year U.S. average of 3.6%.



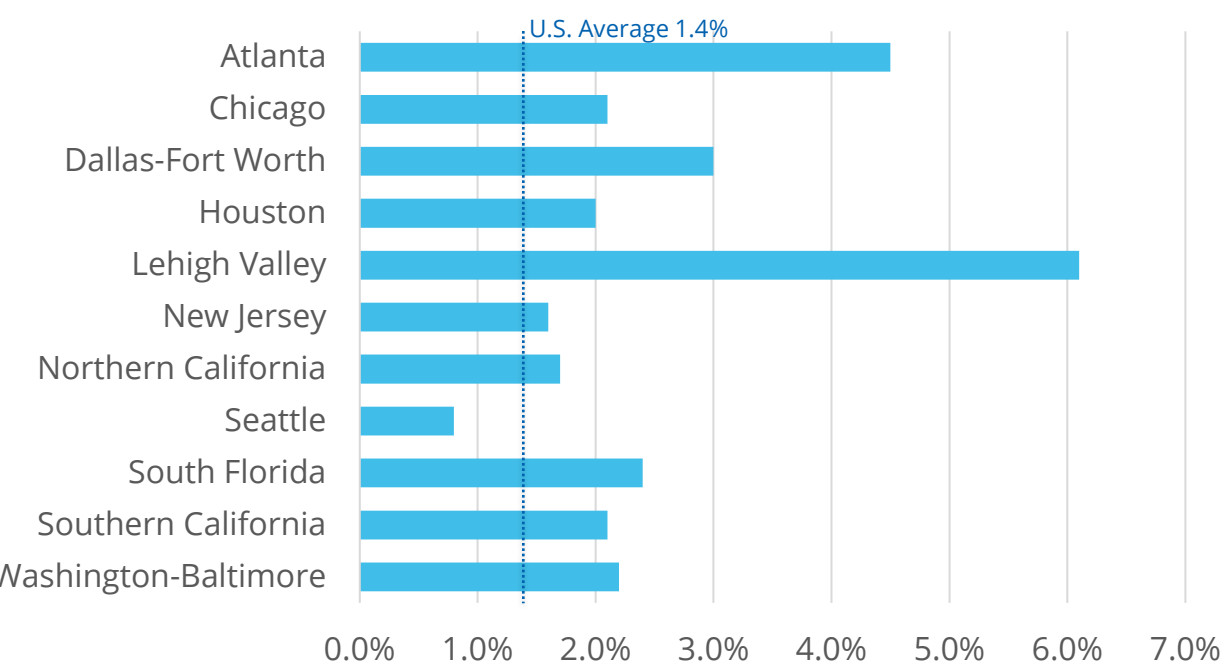
RENT GROWTH
Year-over-Year



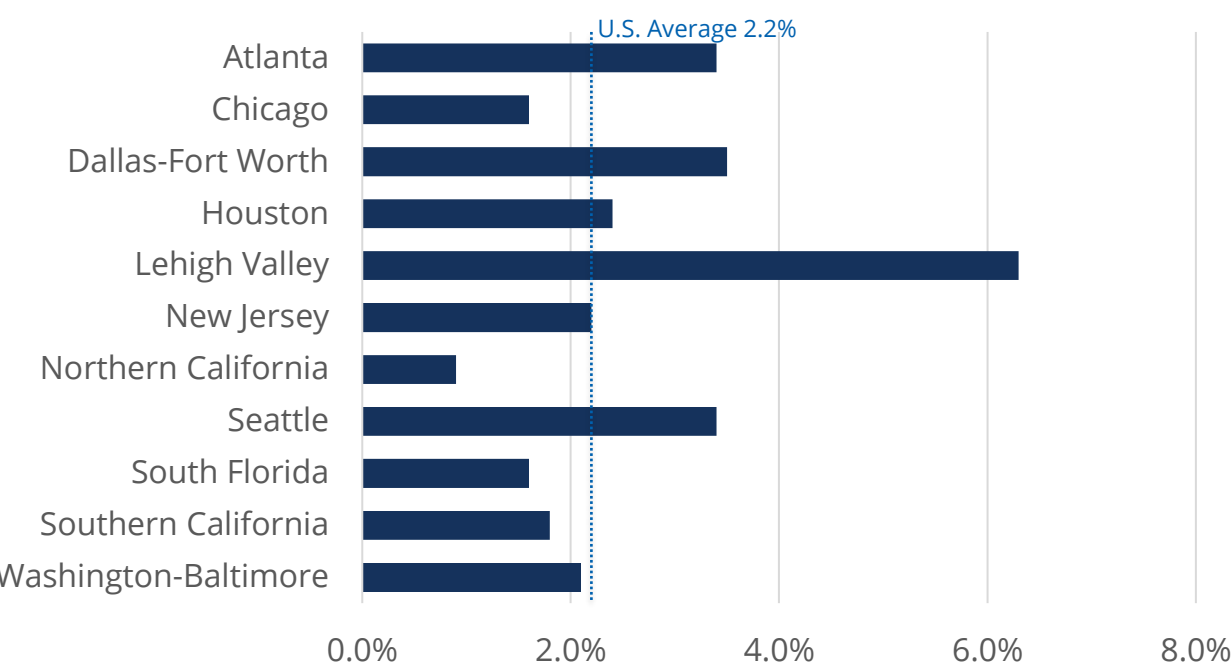
12-MONTH MARKET GROWTH
Percentage of Inventory



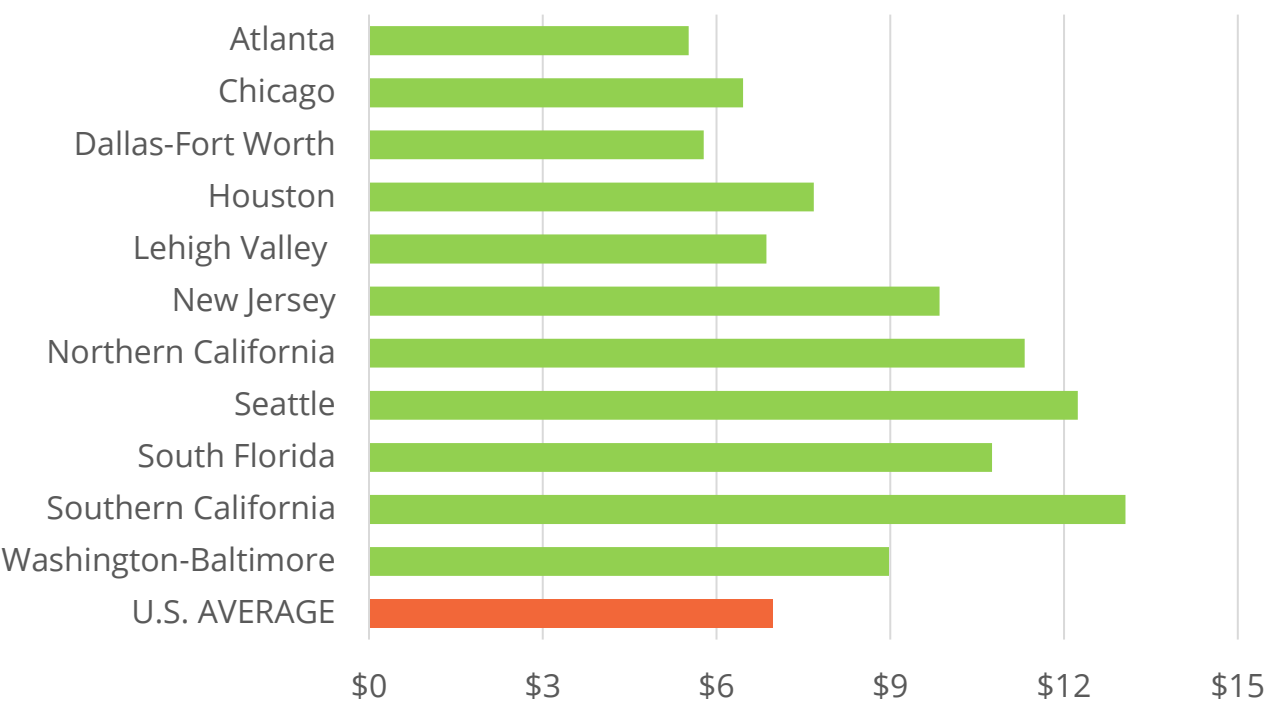
4-QUARTER NET ABSORPTION
Percentage of Inventory



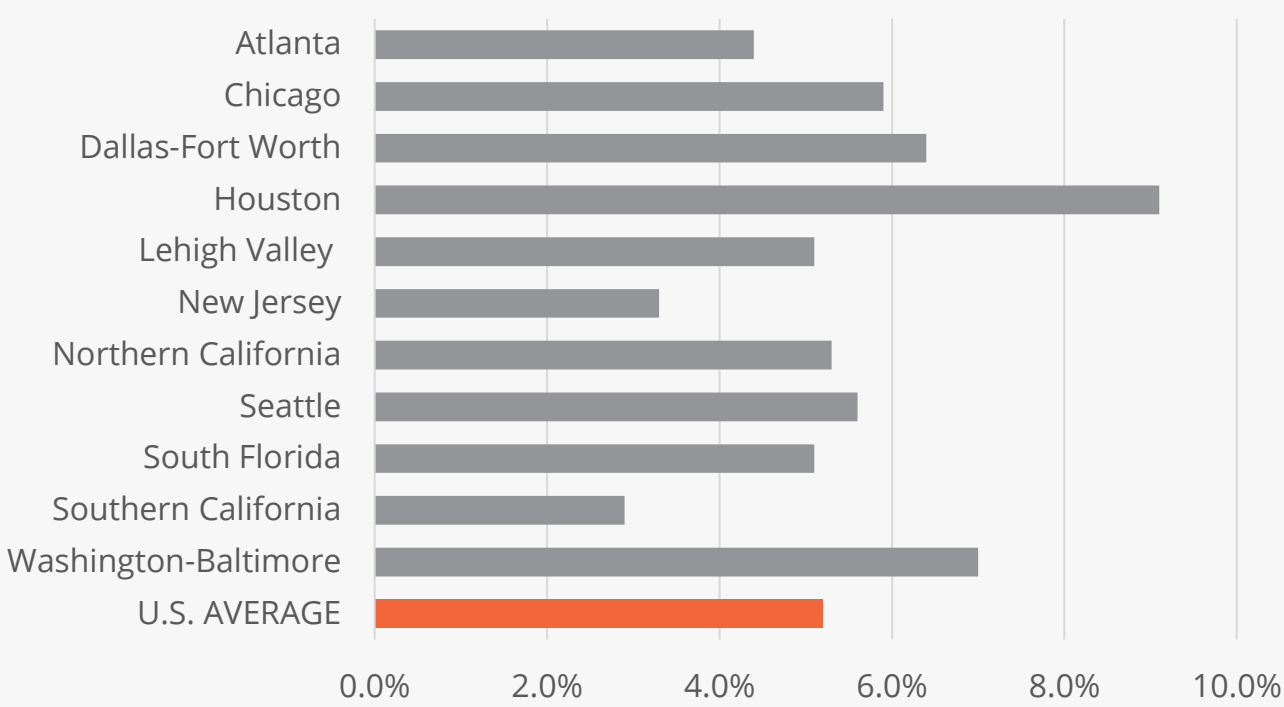
FUTURE DELIVERIES
Percentage of Inventory



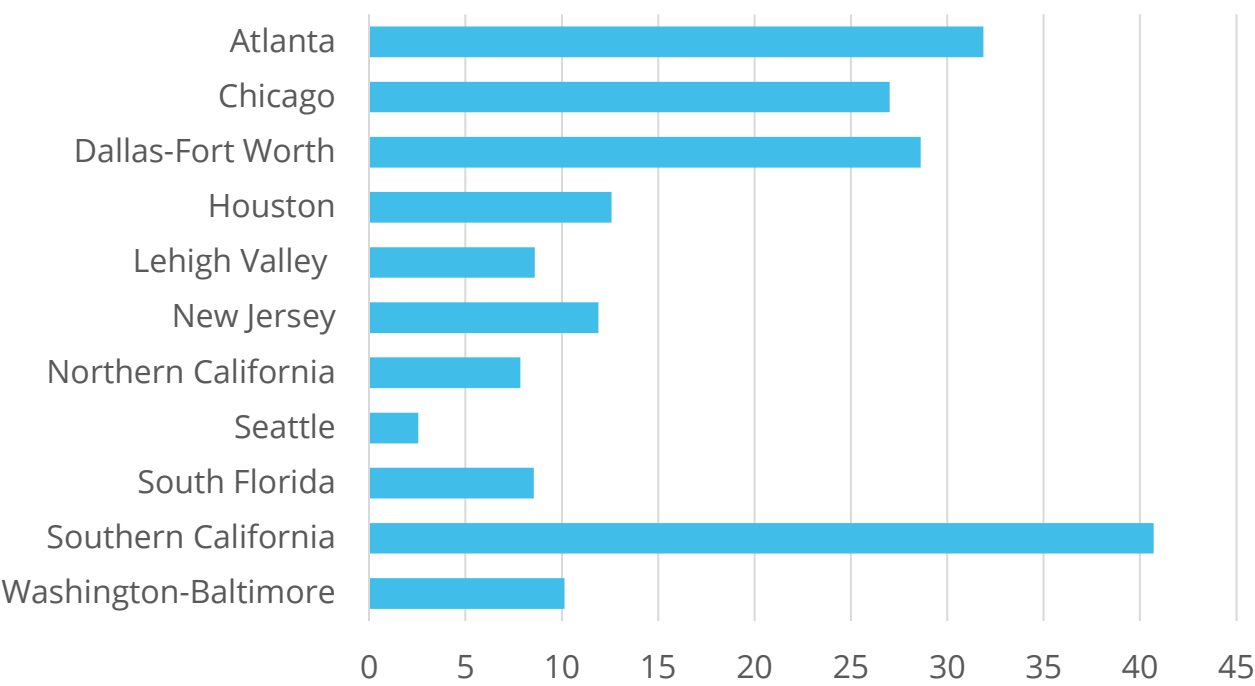
ASKING RENT PSF NNN



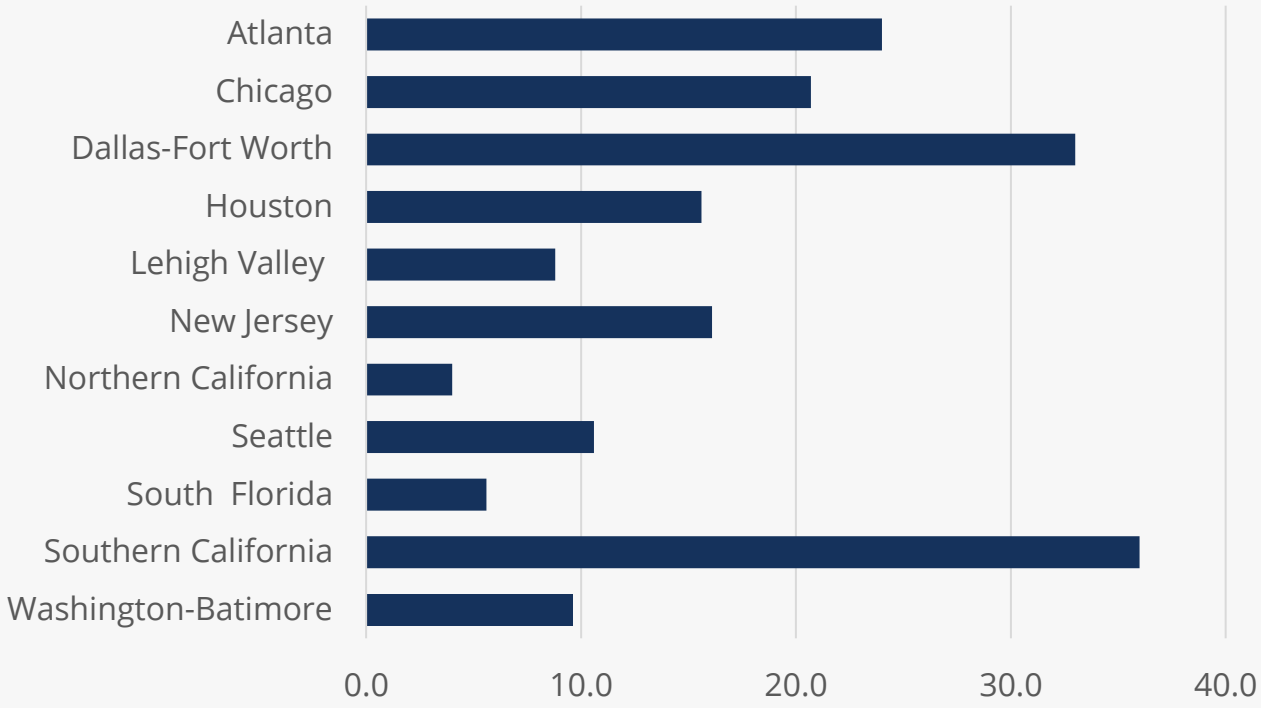
VACANCY RATE



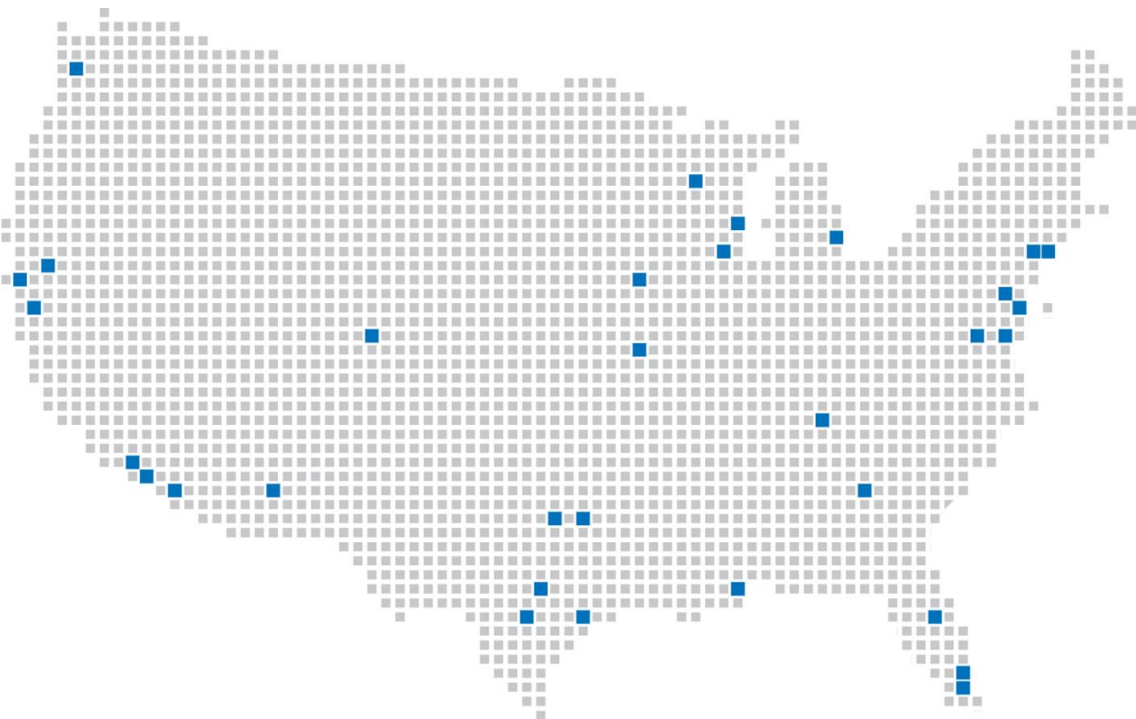
TRAILING 4-QUARTER NET ABSORPTION (MSF)



UNDER CONSTRUCTION (MSF)



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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