



TRANSWESTERN

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

First Quarter 2022

## U.S. TRENDLINES

5-Year Trend      Current Quarter

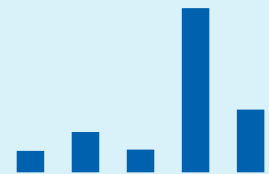
### UNEMPLOYMENT RATE



3.6%

March decline in truck transportation jobs

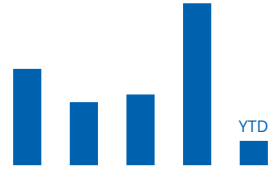
### RETAIL SALES GROWTH



6.4%

Spending increase attributed to inflation

### NET ABSORPTION



110 MSF

Decelerated due to supply constraint

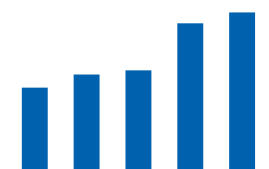
### VACANCY



4.1%

Sixth consecutive decrease

### UNDER CONSTRUCTION



800 MSF

Seventh consecutive record-high quarter

### ASKING RENT



\$7.39 PSF

Highest YoY increase in three years

## U.S. HIGHLIGHTS

### ECONOMY

- Total employment closing in on pre-pandemic levels
- Decline in truck transportation jobs for the first time in two years increases concern for labor shortage
- Consumers continue to spend, though much of the increase in retail sales is due to inflation
- As brick-and-mortar reopened, e-commerce as a percentage of total retail sales cooled in 2021

### INDUSTRIAL MARKET

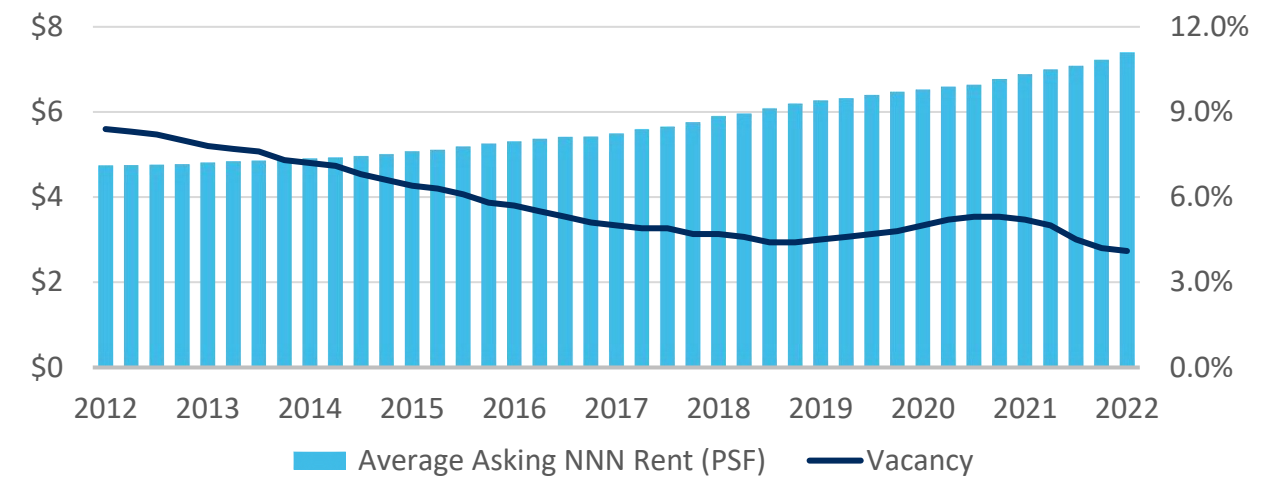
- Development demolishes previous records as digital shopping continues to drive demand
- 800 MSF was under construction as of 1Q22, up nearly a quarter of a billion from a year ago and 66% higher than the pre-pandemic level
- Net absorption and leasing activity cooled, largely due to a shortage of supply in several core markets
- Despite slowing down, leasing still outpaced development as less than 100 MSF of new product was delivered for the first time since 1Q21
- As demand overwhelms supply, markets across the U.S. continue to reestablish all-time low vacancy rates
- Constrained supply resulted in the highest YoY rent increase since 4Q18, with double-digit percentage growth in the majority of tracked markets

### LOOKING AHEAD

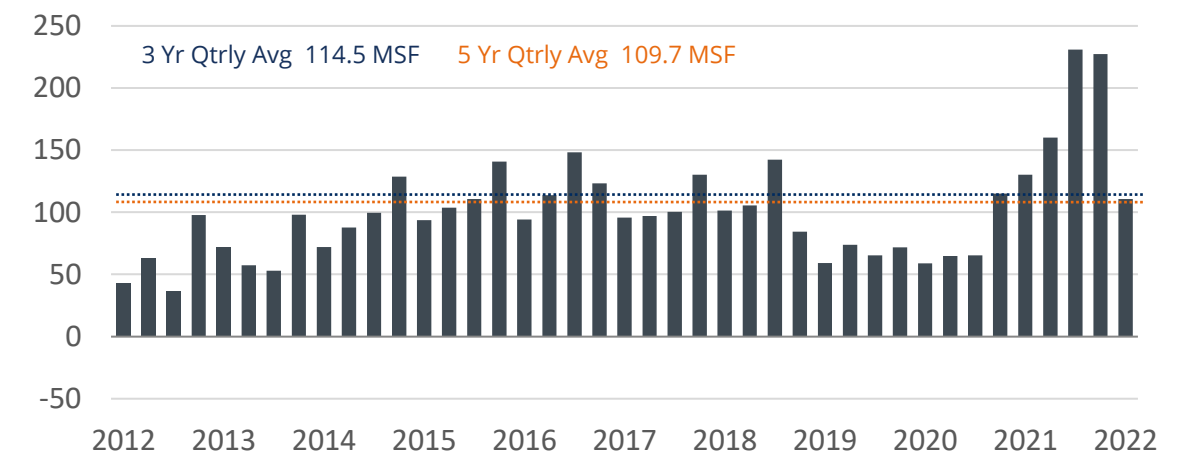
- Supply chain challenges coupled with demand have prompted more speculative development
- Land constraints, increased regulations will cause development to cluster outside of population centers
- Like industrial property development, record cargo is pushing shipping into secondary markets
- 24/7 logistics operations may be imminent, though labor shortage remains an issue
- China's COVID-19 lockdown will further disrupt supply chains and extend product shortages in the U.S.

## U.S. HISTORICAL

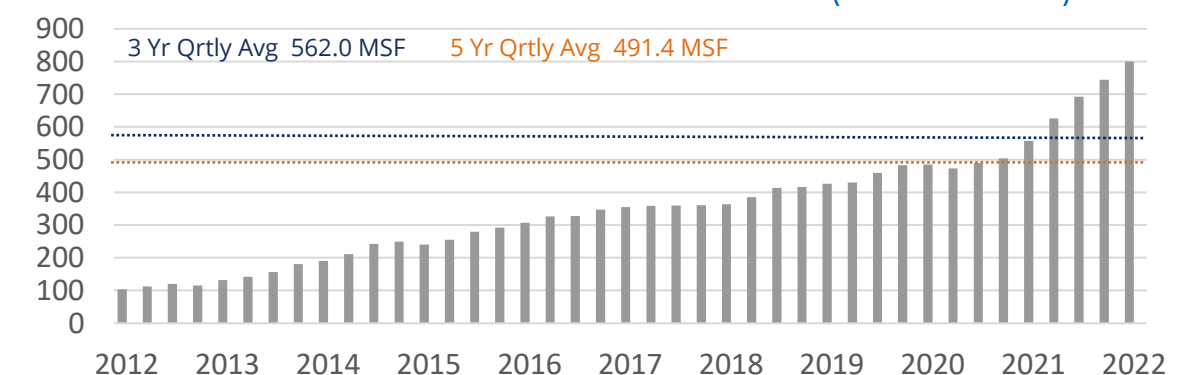
### VACANCY VS ASKING RENT



### NET ABSORPTION (MILLION SF)

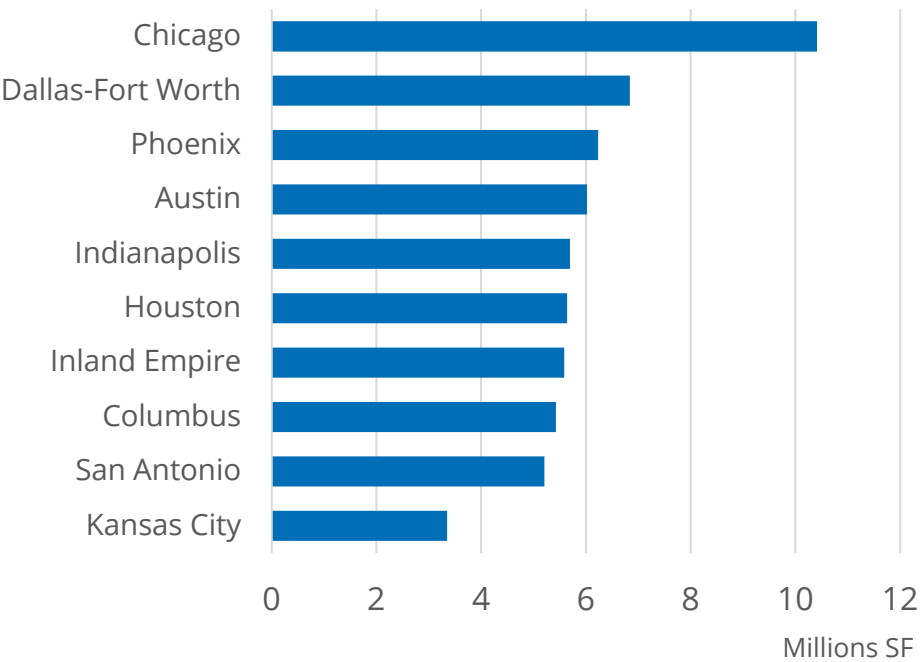


### UNDER CONSTRUCTION (MILLION SF)



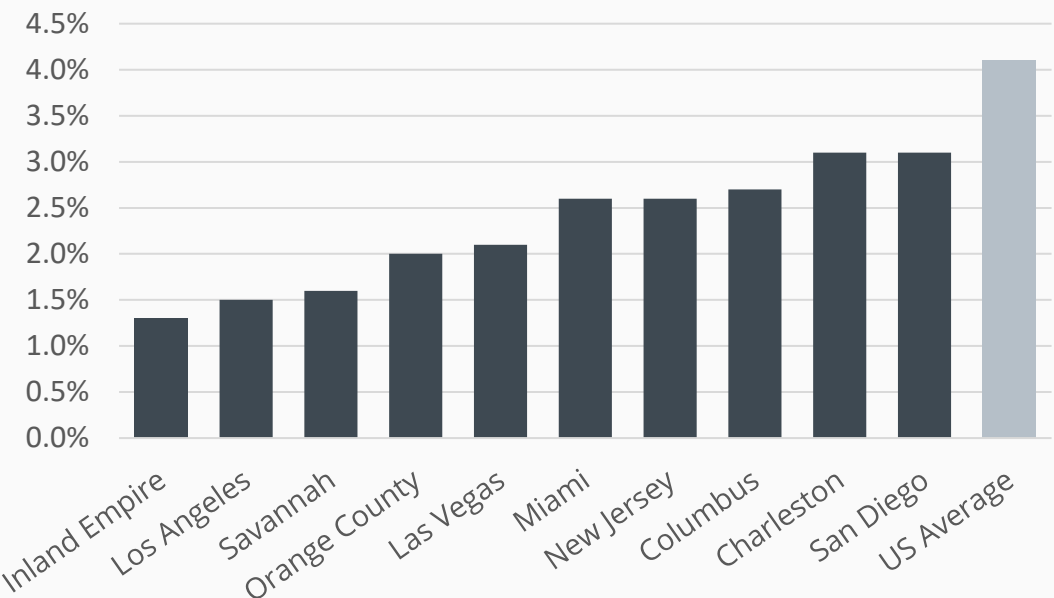
NET ABSORPTION

Q1 2022 Net Absorption



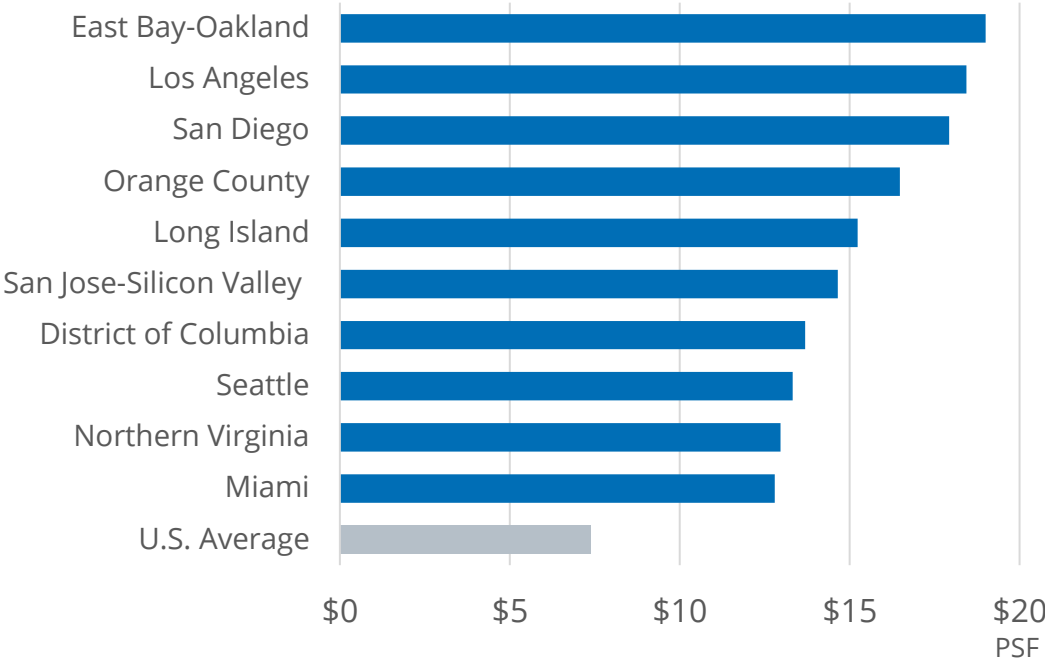
VACANCY/CONSTRUCTION

Q1 2022 Vacancy Rate

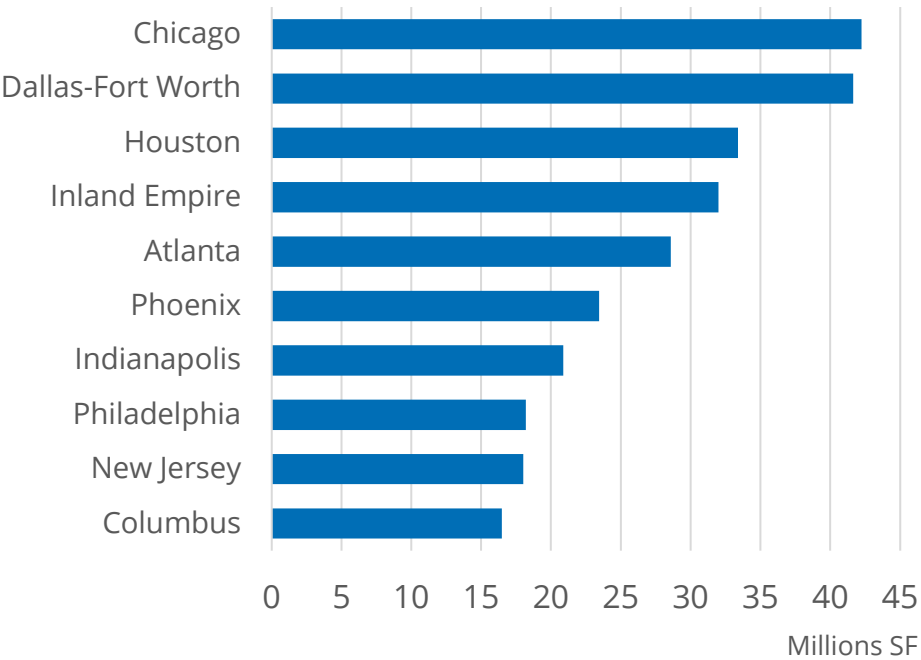


ASKING RENTS

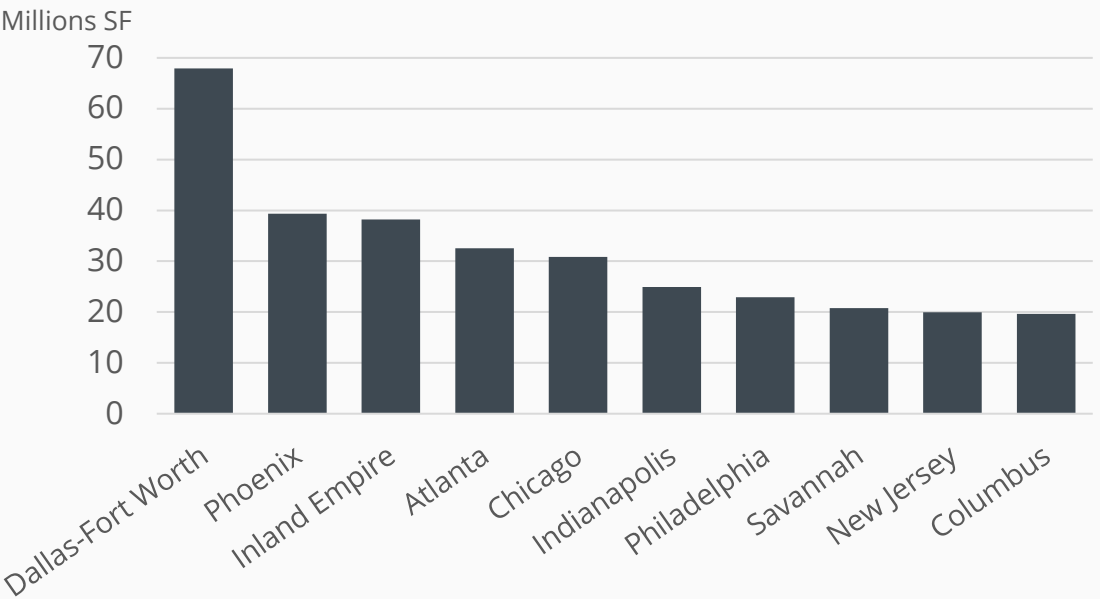
Q1 2022 Asking Rate NNN



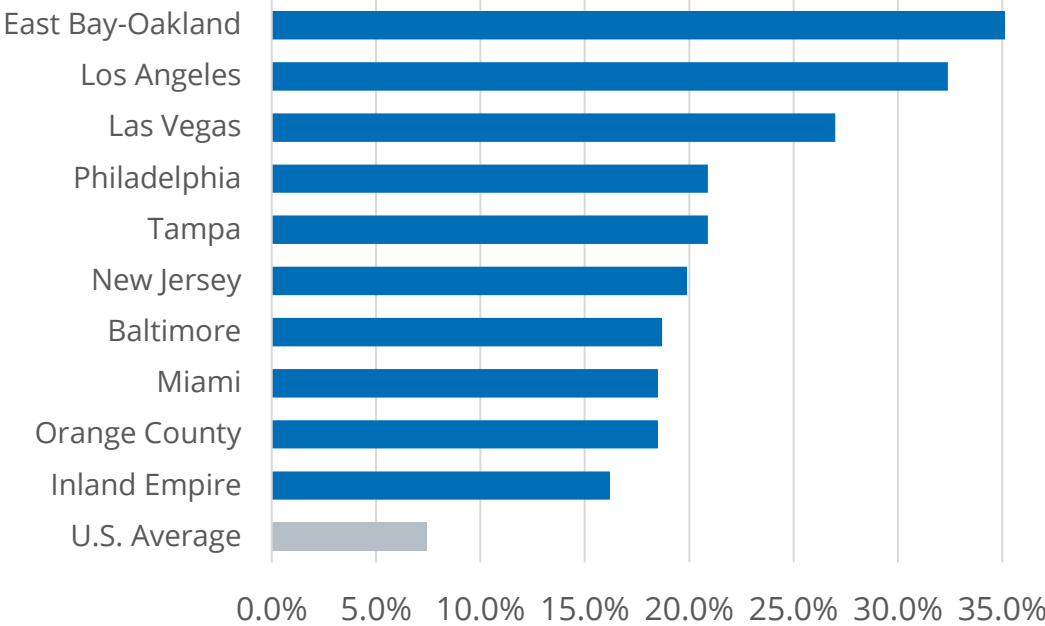
Trailing 4-Qtr Net Absorption



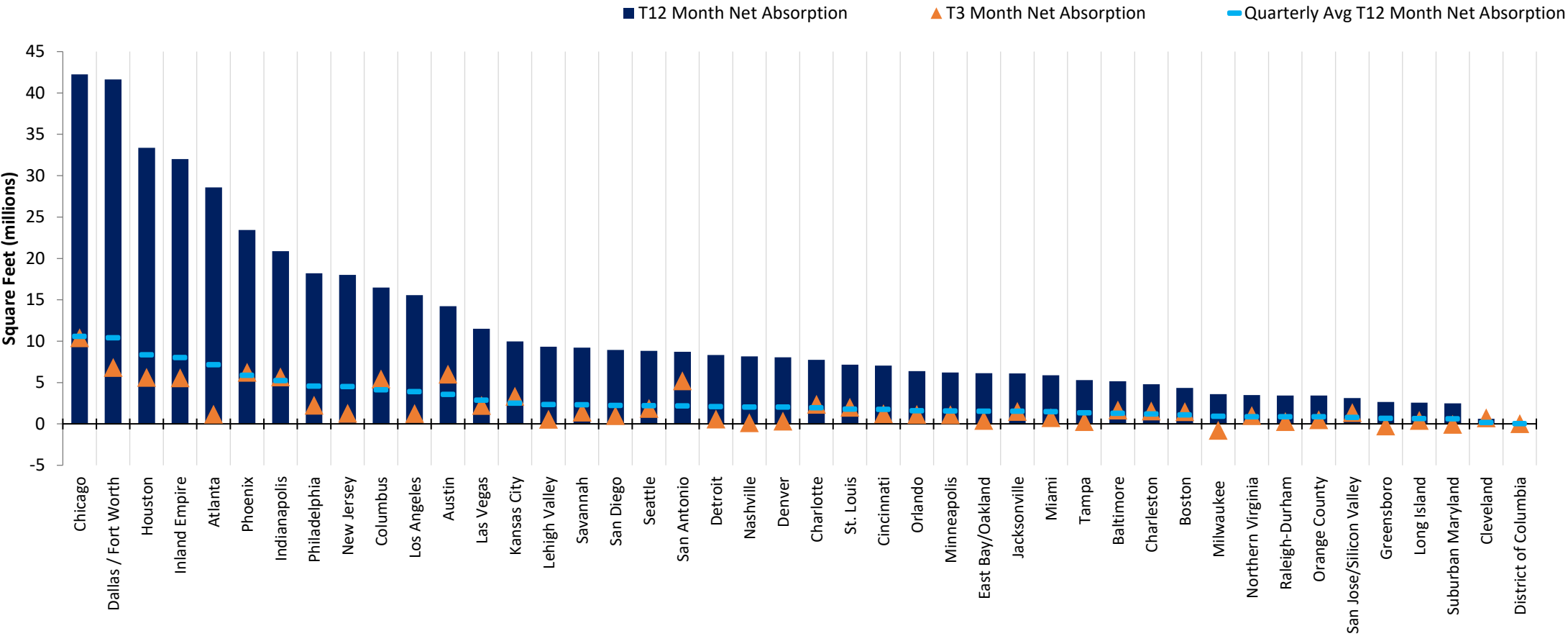
Q1 2022 Under Construction



Year-Over-Year Rent Growth

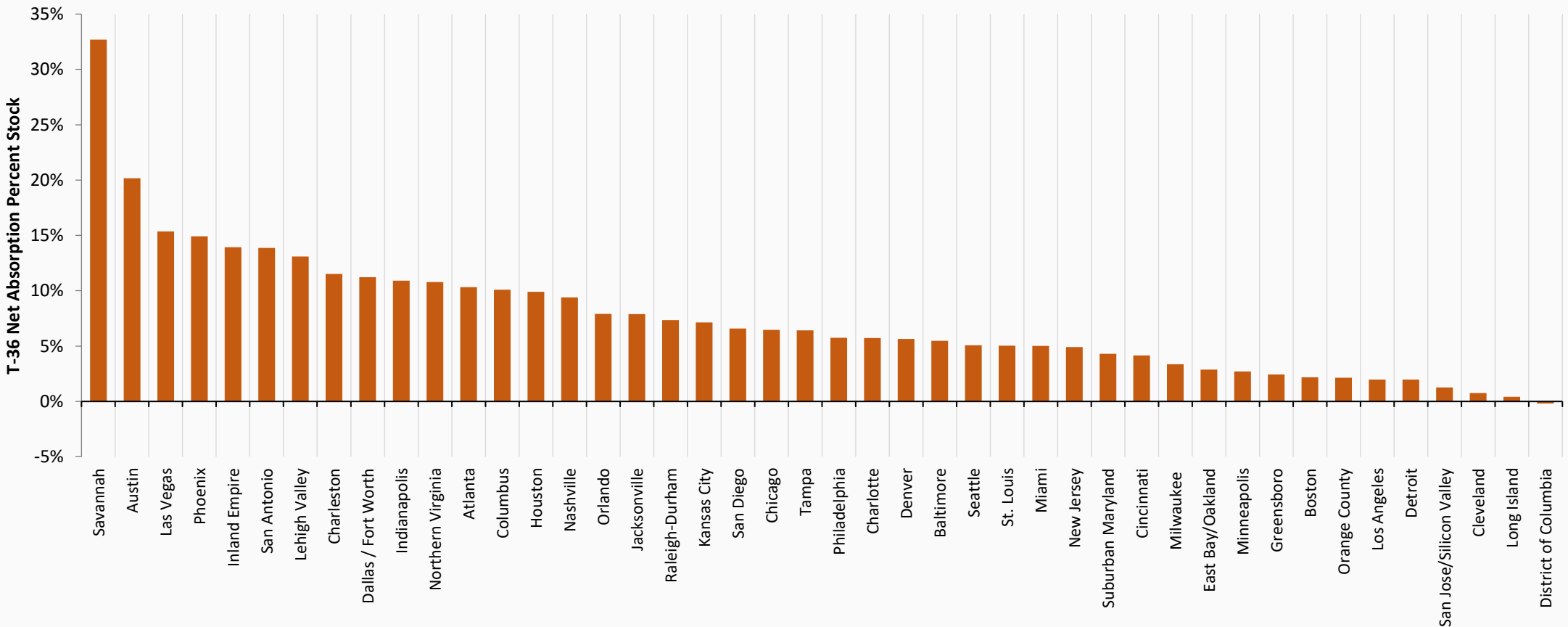


NET ABSORPTION



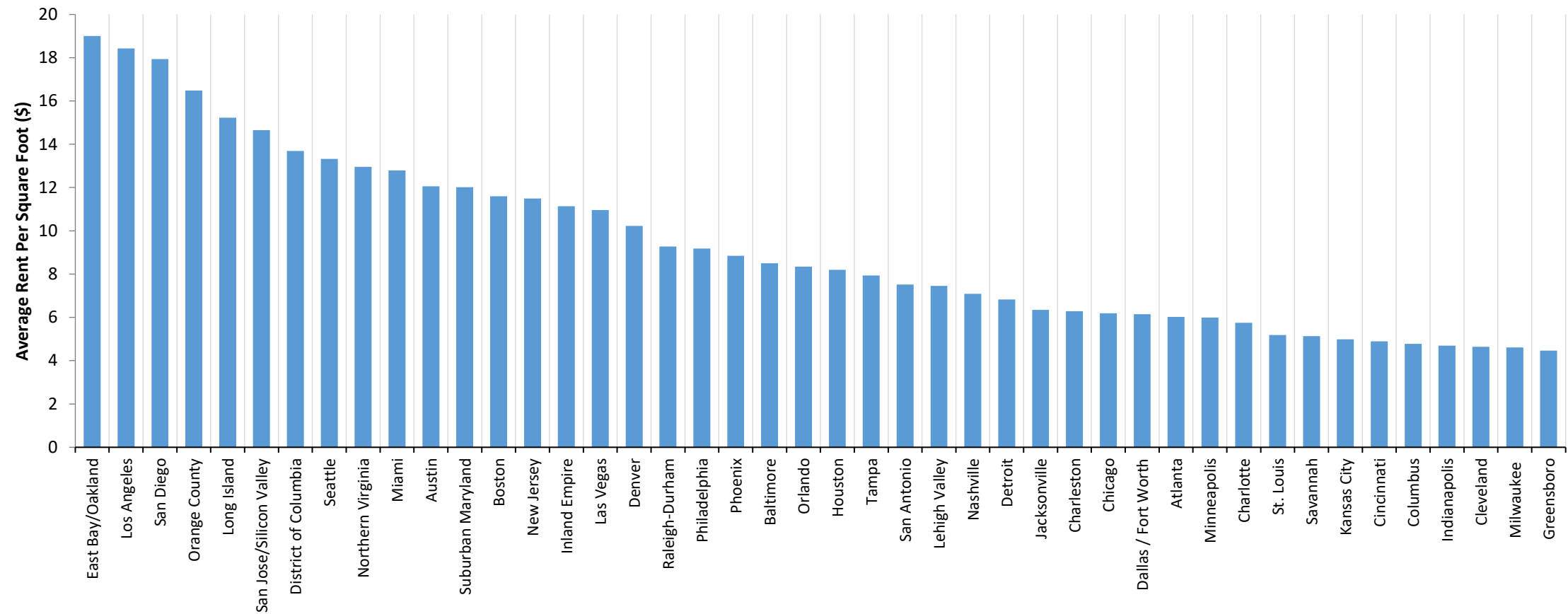
- Positive annual and quarterly net absorption were reported in almost all markets as industrial space needs continued to grow.
- Quarterly net absorption moderated slightly, coming in lower than the 12-month quarterly average for over 65% of the markets.
- 12-month net absorption was higher for over 95% of tracked markets compared to their 3-year average. Only Cleveland and Northern Virginia contracted.

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.
- In addition to the Inland Empire and Lehigh Valley, historically considered preferred locations for industrial users, markets experiencing the strongest growth are located within the Sun Belt, including Savannah, Austin, Las Vegas, Phoenix and San Antonio.

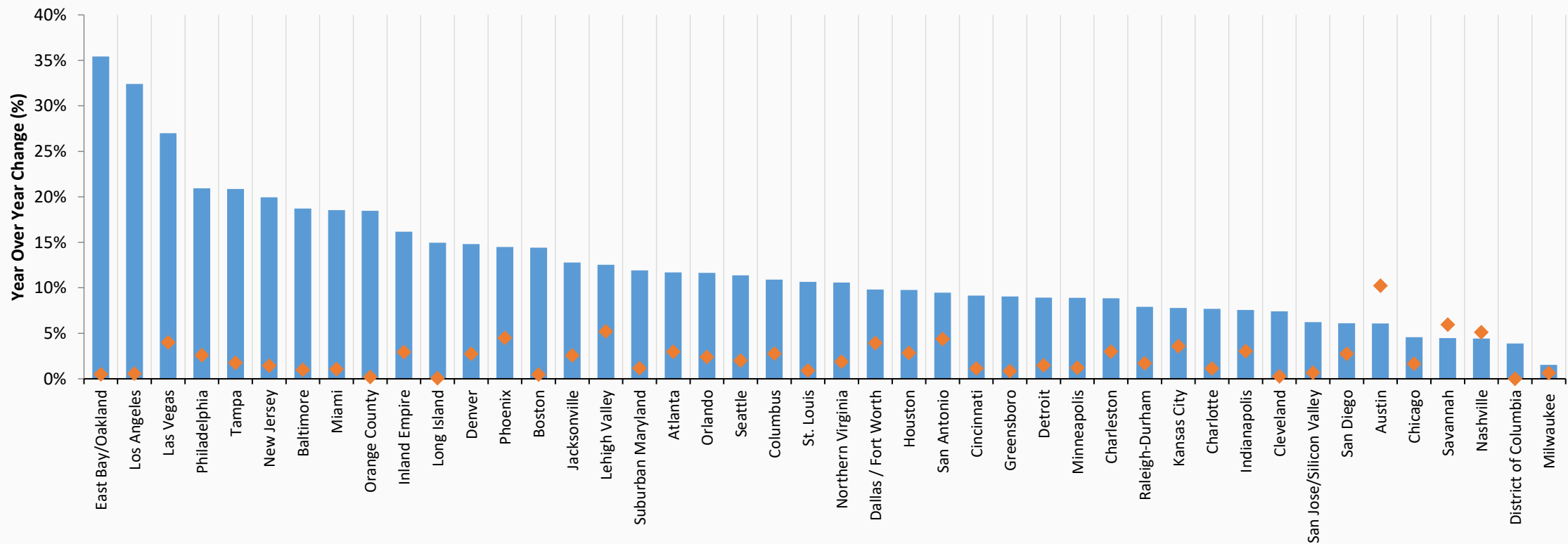
RENTAL RATES (NNN)



- Markets with the highest rental rates are located on the West Coast, and near Washington, D.C., and New York.
- The two most expensive markets, East Bay and Los Angeles, also lead rent growth, both experiencing annual increases over 30%.

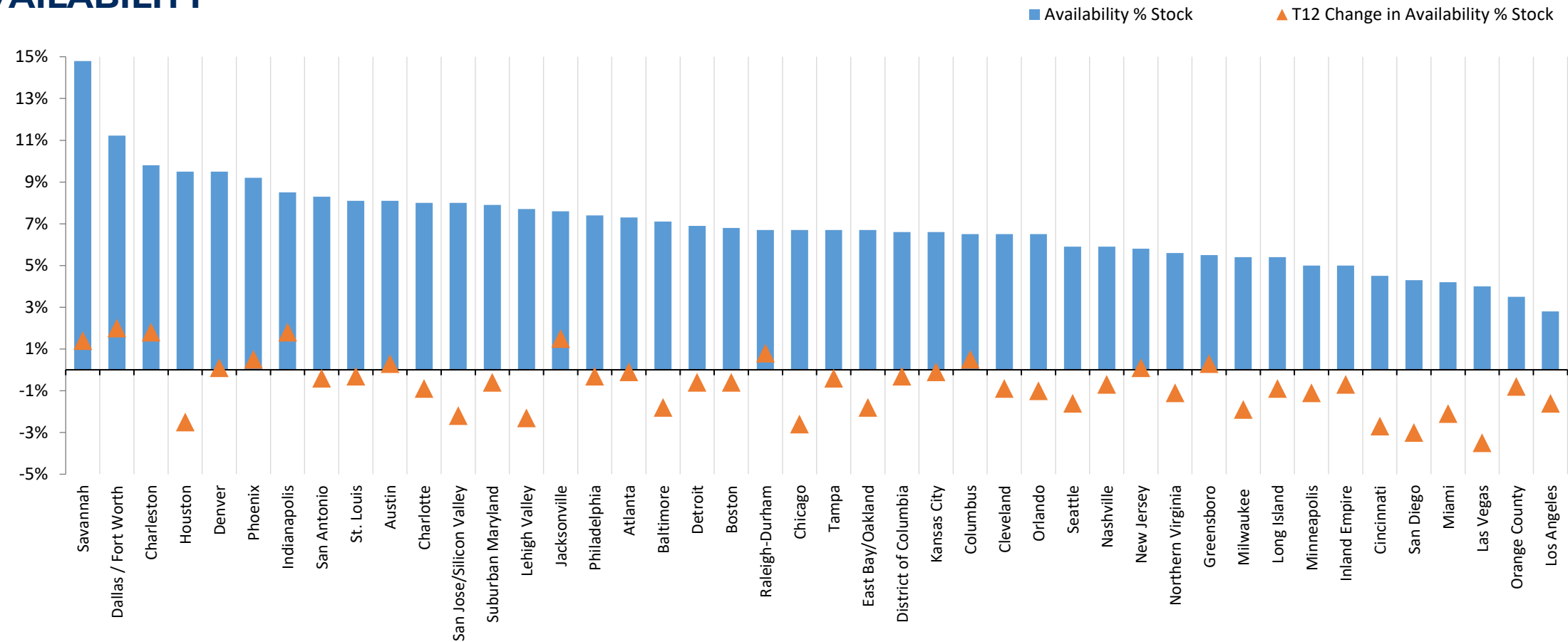
RENTAL RATE CHANGE

Rental Rate T12 Percent Change Deliveries T12 as a Percent of Stock



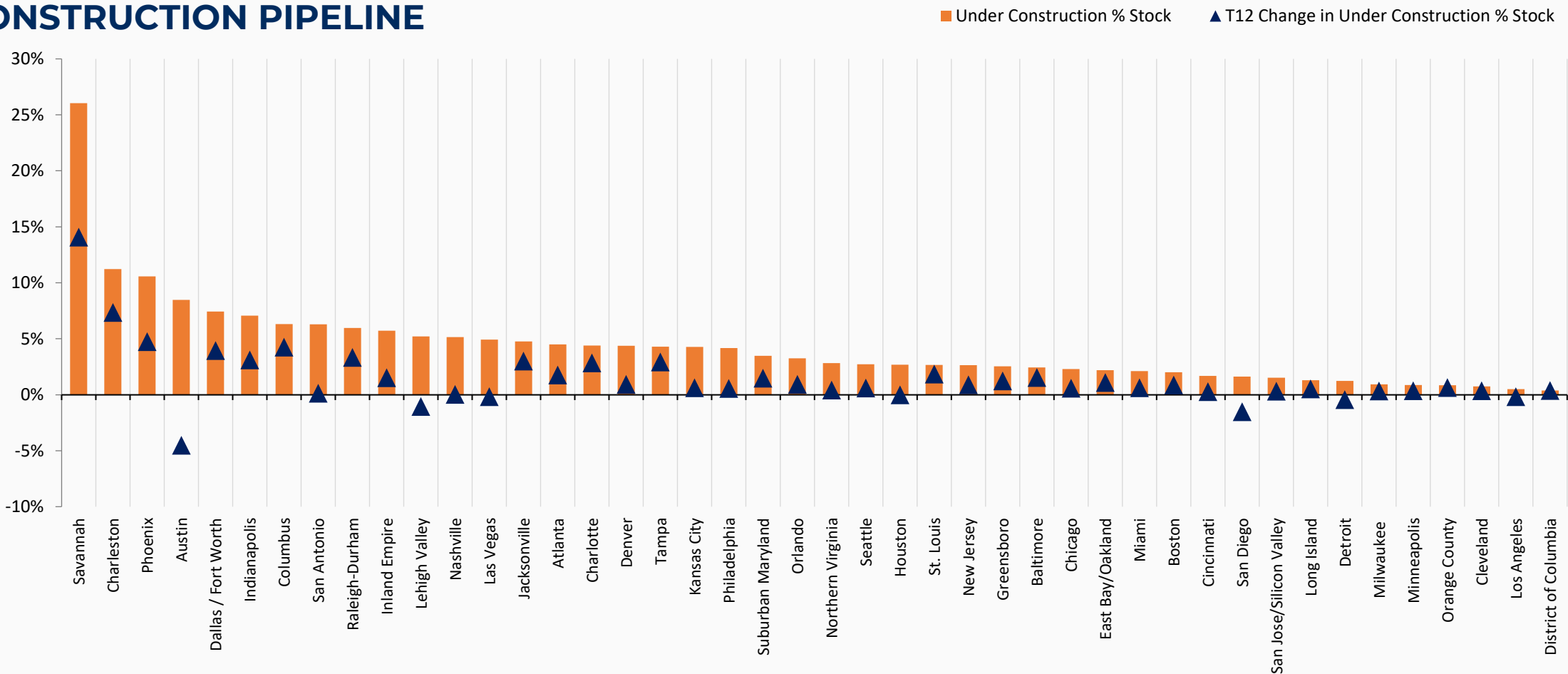
- Over 88% of tracked markets saw rental growth for the year surpass 5%, with all increasing over the past 12 months.
- Five markets saw rental growth exceed 20% over the past year: East Bay, Los Angeles, Las Vegas, Philadelphia and Tampa.
- A few of the markets with low rental-rate changes may be reacting to recent strong supply (e.g., Austin, Savannah, Nashville).

AVAILABILITY



- Many coastal markets where the busiest U.S. container ports are located reported the lowest availability as a percent of stock.
- Markets seeing the largest increases in availability include Dallas, Charleston and Indianapolis – all of which also have higher-than-average overall availability as a percent of stock.
- Those registering the largest decreases in availability include Las Vegas and San Diego.

CONSTRUCTION PIPELINE

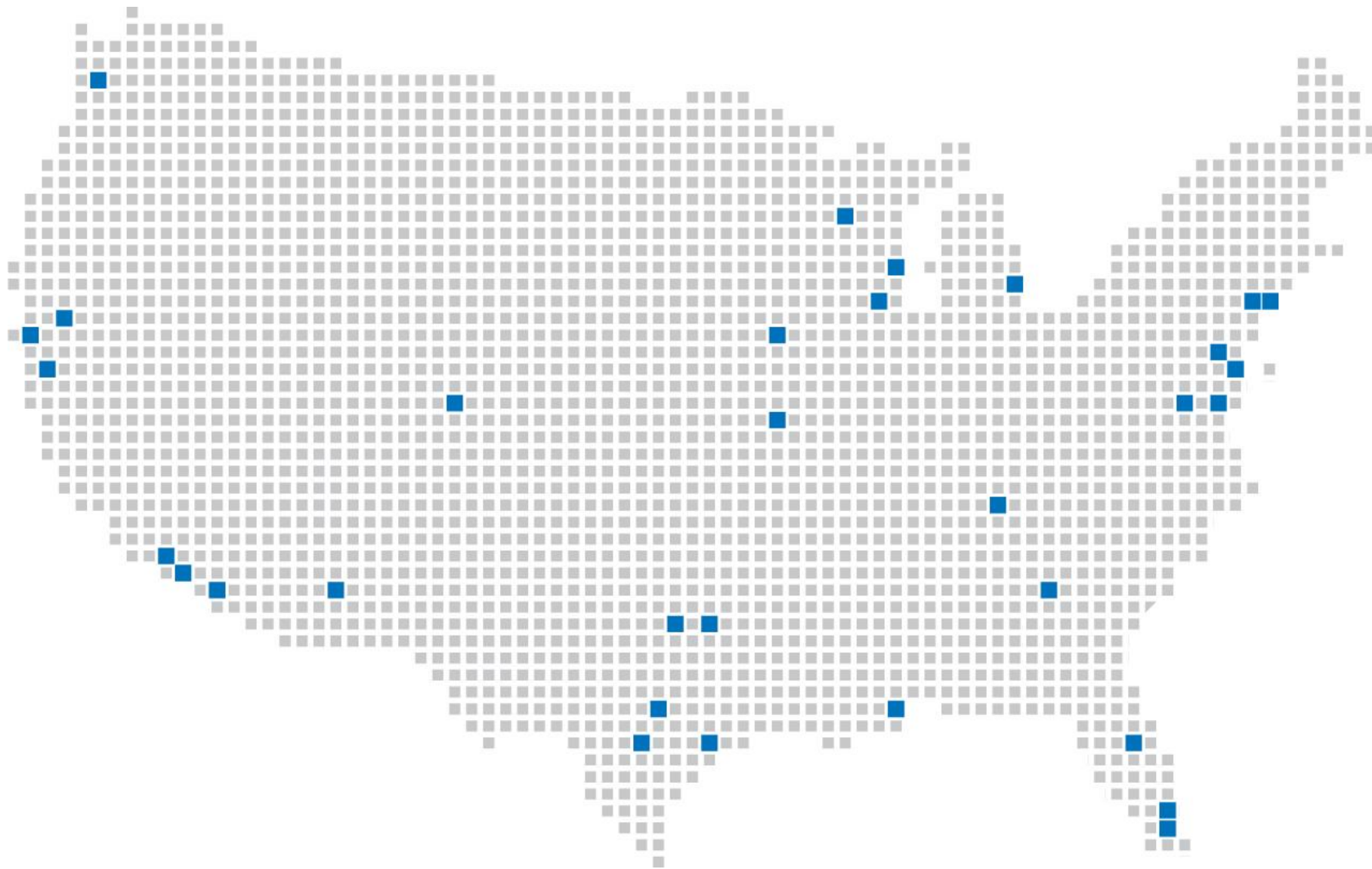


- Under construction stock is indicative of future expansion.
- Growth in the Sun Belt is evidenced here, especially in Savannah, Charleston and Phoenix. With under-construction stock exceeding 10%, these markets have also seen the most acceleration of under-construction SF as a percent of stock over 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	724,161,074	3.8%	3.7%	1,175,951	28,582,711	\$6.02	11.7%	32,548,505
Austin	110,255,868	3.5%	3.1%	6,022,385	14,218,586	\$12.06	6.1%	9,342,337
Baltimore	228,918,795	6.4%	6.3%	1,676,668	5,167,531	\$8.50	18.7%	5,604,375
Boston	333,295,458	4.0%	3.9%	1,498,145	4,358,308	\$11.60	14.4%	6,670,090
Charleston	81,551,797	3.1%	2.6%	1,565,179	4,800,221	\$6.28	8.8%	9,156,513
Charlotte	327,787,171	5.7%	5.3%	2,381,638	7,744,598	\$5.75	7.7%	14,418,150
Chicago	1,347,315,828	5.0%	4.7%	10,411,035	42,231,852	\$6.19	4.6%	30,835,887
Cincinnati	320,812,628	4.2%	4.0%	1,229,313	7,057,604	\$4.89	9.2%	5,422,577
Cleveland	328,943,344	4.4%	4.1%	738,286	619,306	\$4.64	7.4%	2,446,211
Columbus	311,401,285	2.7%	2.5%	5,429,153	16,488,842	\$4.78	10.9%	19,629,590
Dallas-Fort Worth	926,071,922	5.8%	5.5%	6,836,754	41,639,810	\$6.15	9.8%	67,904,352
Denver	243,060,567	5.8%	5.5%	353,752	8,063,601	\$10.23	14.8%	10,648,356
Detroit	574,379,404	4.7%	4.4%	593,660	8,330,415	\$6.83	8.9%	7,144,677
District of Columbia	8,833,215	4.4%	4.3%	48,202	129,380	\$13.69	3.9%	32,835
East Bay-Oakland	247,447,460	4.7%	4.0%	435,252	6,125,456	\$19.00	35.4%	5,418,659
Greensboro	281,607,308	3.2%	3.1%	(232,825)	2,668,961	\$4.46	9.0%	7,173,400
Houston	684,222,449	6.5%	6.3%	5,639,831	33,380,888	\$8.20	9.8%	18,392,201
Indianapolis	352,515,812	3.2%	3.0%	5,699,094	20,882,121	\$4.69	7.6%	24,920,467
Inland Empire	667,935,836	1.3%	1.2%	5,584,342	32,002,733	\$11.14	16.2%	38,233,388
Jacksonville	136,512,375	3.4%	3.2%	1,509,566	6,106,513	\$6.35	12.8%	6,513,869
Kansas City	308,156,865	4.8%	4.6%	3,348,733	9,967,451	\$4.99	7.8%	13,152,668
Las Vegas	143,593,076	2.1%	2.0%	2,230,362	11,501,823	\$10.96	27.0%	7,067,463

Market	Inventory Square Feet	Overall Vacancy Rate	Direct Vacancy Rate	Net Absorption	12-Month Net Absorption	Asking Rent NNN	Annual Rent Change	Under Construction
Lehigh Valley	147,796,880	5.0%	4.6%	569,881	9,330,419	\$7.45	12.5%	7,703,804
Long Island	155,177,967	3.3%	3.0%	432,500	2,568,037	\$15.23	14.9%	2,018,398
Los Angeles	851,677,368	1.5%	1.4%	1,252,468	15,575,989	\$18.43	32.4%	4,260,870
Miami	232,640,462	2.6%	2.5%	751,290	5,869,526	\$12.79	18.5%	4,891,839
Milwaukee	244,648,361	3.4%	3.4%	(768,726)	3,612,662	\$4.61	1.5%	2,283,890
Minneapolis	383,389,571	3.5%	3.2%	1,118,738	6,228,643	\$5.99	8.9%	3,292,903
Nashville	233,073,320	4.9%	4.4%	159,947	8,170,604	\$7.09	4.4%	11,983,323
New Jersey	754,877,338	2.6%	2.4%	1,290,177	18,023,885	\$11.49	19.9%	19,949,848
Northern Virginia	114,327,211	3.9%	3.7%	1,015,115	3,491,786	\$12.96	10.6%	3,226,181
Orange County	270,663,915	2.0%	1.8%	505,254	3,423,071	\$16.48	18.5%	2,290,465
Orlando	171,019,014	3.8%	3.7%	1,156,626	6,390,344	\$8.34	11.6%	5,561,224
Philadelphia	548,250,560	4.3%	4.1%	2,260,965	18,202,768	\$9.18	20.9%	22,917,945
Phoenix	372,306,446	4.7%	4.5%	6,234,429	23,441,196	\$8.85	14.5%	39,371,477
Raleigh-Durham	126,390,299	3.4%	3.2%	287,900	3,443,045	\$9.28	7.9%	7,541,075
San Antonio	140,740,674	4.3%	4.2%	5,210,218	8,722,486	\$7.52	9.5%	8,839,682
San Diego	180,929,857	3.1%	2.9%	1,015,577	8,944,747	\$17.93	6.1%	2,922,767
San Jose-Silicon Valley	185,641,111	6.5%	5.9%	1,372,399	3,136,798	\$14.65	6.2%	2,804,945
Savannah	79,647,294	1.6%	1.3%	1,443,728	9,232,845	\$5.13	4.5%	20,747,106
Seattle	312,462,989	4.3%	4.1%	1,864,307	8,839,020	\$13.32	11.4%	8,530,691
St. Louis	300,465,799	3.2%	2.9%	2,015,821	7,152,472	\$5.19	10.7%	8,022,443
Suburban Maryland	106,733,393	5.1%	4.8%	(54,729)	2,495,190	\$12.02	11.9%	3,701,545
Tampa	181,073,445	3.9%	3.8%	285,790	5,305,777	\$7.94	20.9%	7,781,513

## TRANSWESTERN LOCATIONS



## ABOUT TRANSWESTERN

The privately held Transwestern companies have been delivering a higher level of personalized service and innovative real estate solutions since 1978. Through an integrated, customized approach that begins with good ideas, the firm drives value for clients across commercial real estate services, development, and investment management. Operating from 33 U.S. offices, Transwestern extends its platform capabilities globally through strategic alliance partners whose unique geographic, cultural, and business expertise fuels creative solutions. Learn more at [transwestern.com](https://transwestern.com) and [@Transwestern](https://twitter.com/Transwestern).

## 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.

## FOR MORE INFORMATION

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