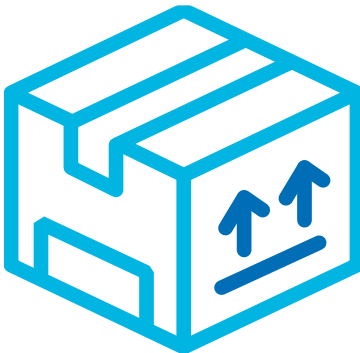


COMMERCIAL REAL ESTATE

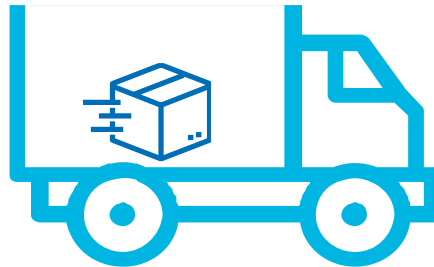
# U.S. MARKET | Industrial

Q2 2022

**THE VIEW FROM HERE**

**Tightest market in history**  
with records set across several metrics presents unique challenges for investors and tenants



**Demand keeps pace with supply**  
due to shifts in supply chain management and expanding storage capacities



**Traffic beginning to level off from a record pace,**  
as measured by tenant interest and leasing volume, though still quite strong

**NET ABSORPTION**  
**107 MSF**  
Seventh consecutive quarter 100+ MSF

**VACANCY RATE**  
**3.9%**  
First time below 4.0%

**UNDER CONSTRUCTION**  
**866 MSF**  
Eighth consecutive record-high quarter

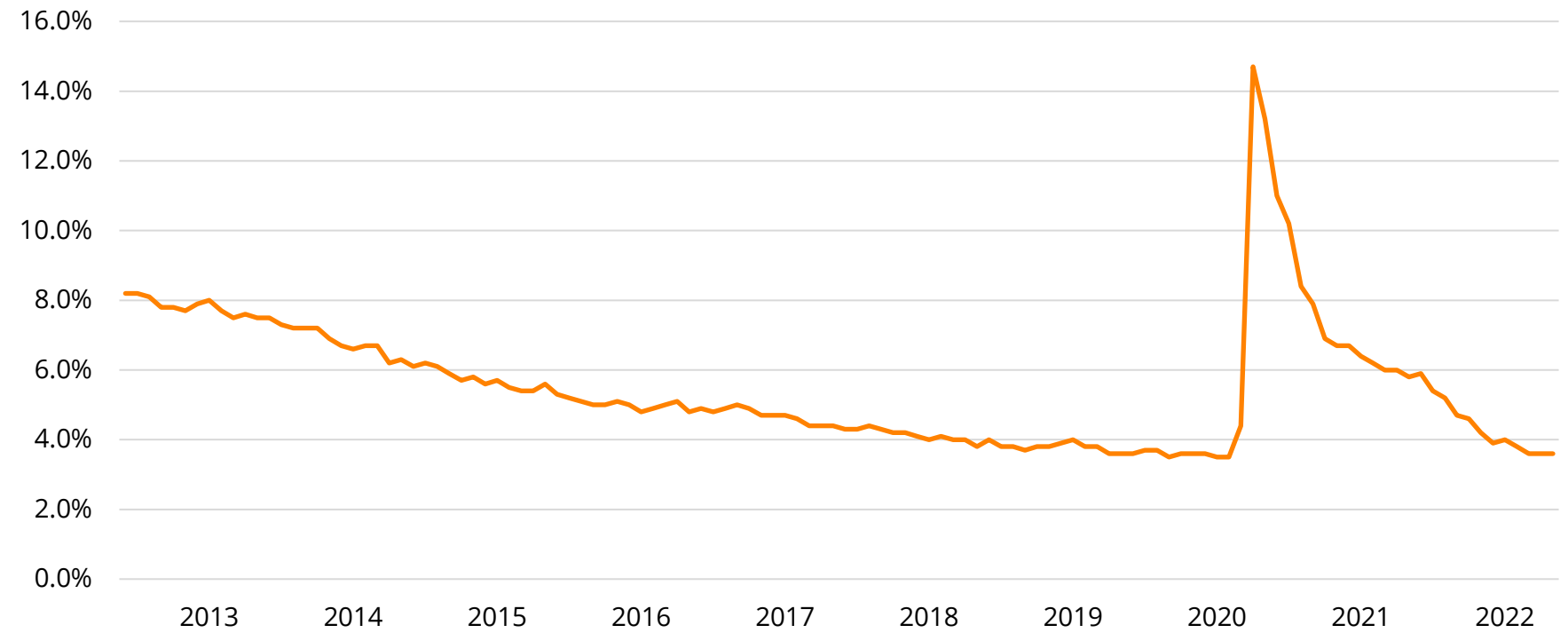
**ASKING RENT**  
**\$7.61**  
Highest ever YoY increase

## ECONOMIC HIGHLIGHTS

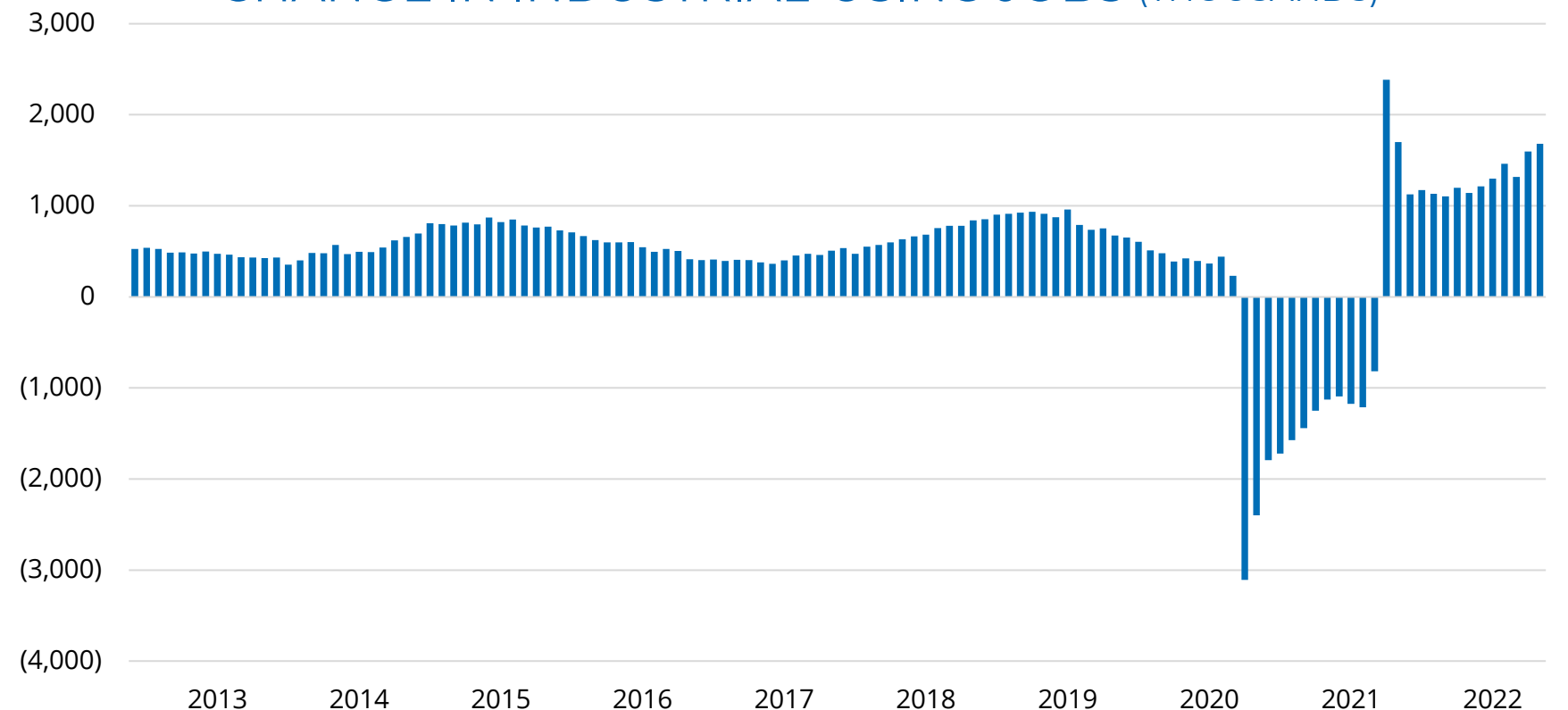
- The U.S. unemployment rate averaged 3.6% during the quarter, the lowest level since the start of the pandemic.
- The industrial real estate sector has recovered all pandemic jobs lost with total employment nearly 2% above previous highs.
- Following a recent slowdown, trucking employment increased modestly, and the sector has added nearly 50,000 jobs in 2022.
- While continuing to gain jobs, total employment in the manufacturing sector remains slightly lower than pre-pandemic levels.
- Reshoring has accelerated, boosting manufacturing employment, though labor shortages may limit the ability for this trend to continue.
- Despite weakening overall economic conditions and recession fears, consumers continued to spend, though at a slower pace when adjusted for inflation.
- Consumer spending patterns are anticipated to shift, and discount retailers stand to benefit as shoppers seek bargains due to rising prices.
- U.S. ports set a record in May for the number of containers imported in a single month, and the surge in cargo volume is expected to continue.

## HISTORICAL

### UNEMPLOYMENT RATE



### CHANGE IN INDUSTRIAL-USING JOBS (THOUSANDS)

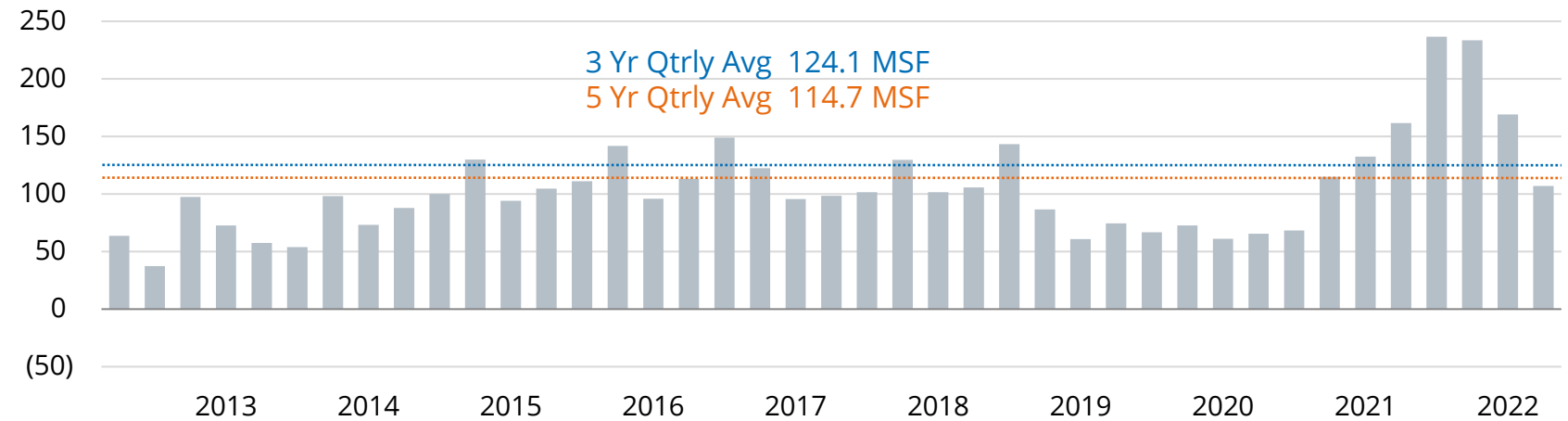


## MARKET HIGHLIGHTS

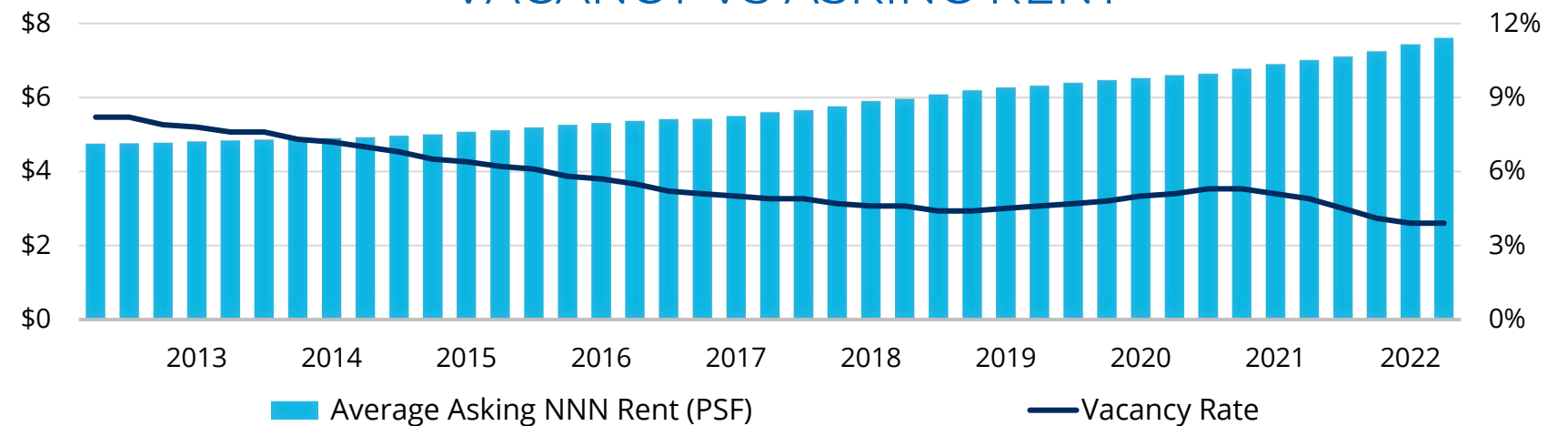
- Occupancy levels continued to improve, albeit at a slower pace, as more than 100 MSF of positive net absorption was accumulated for the seventh consecutive quarter.
- Record-setting levels for asking rents, new construction, and the overall vacancy rate were posted in Q2.
- It was the second consecutive quarter that vacancy fell to a record low as occupancy levels increased in 41 of 44 markets – and 43 markets in the past 12 months.
- The average asking rent set a record for YoY growth for the second consecutive quarter and has increased by nearly 17% since the start of the pandemic.
- All reported markets recorded rent growth greater than 3.0% YoY, with more than 60% of markets registering a 12-month increase greater than 10%.
- Product under construction surpassed 850 MSF for the first time and is more than double the level of three years ago.
- Amid Amazon’s announcement that it plans to sublease up to 30 MSF of its space, there are concerns of overbuilding in some markets, especially if overall consumer demand dips.
- Expanding logistics and transportation companies coupled with a strong life sciences sector will drive absorption of industrial space delivered or returned to the market.

## HISTORICAL

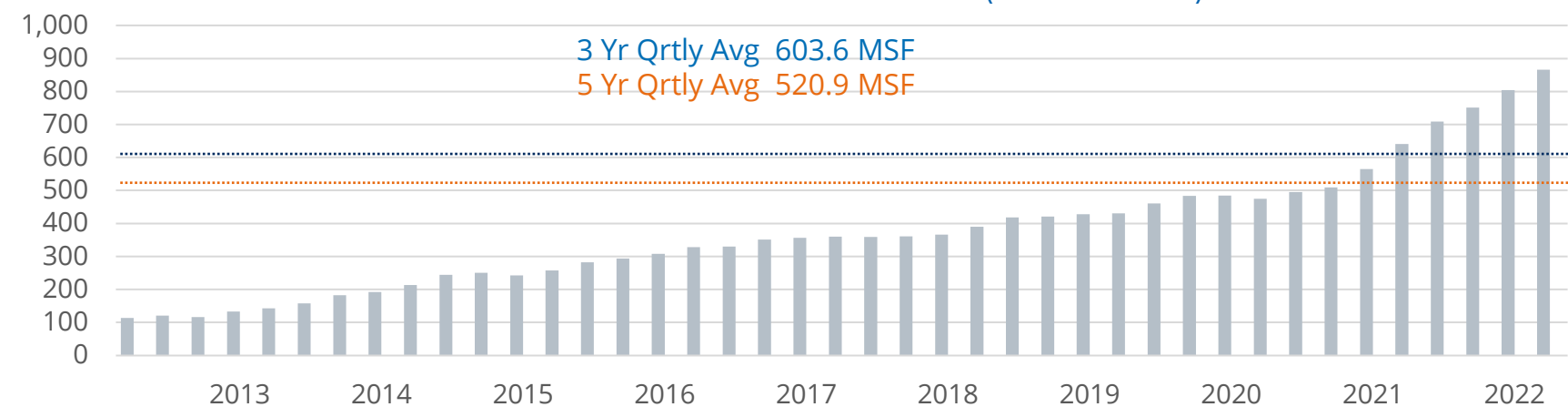
### NET ABSORPTION (MILLION SF)



### VACANCY VS ASKING RENT

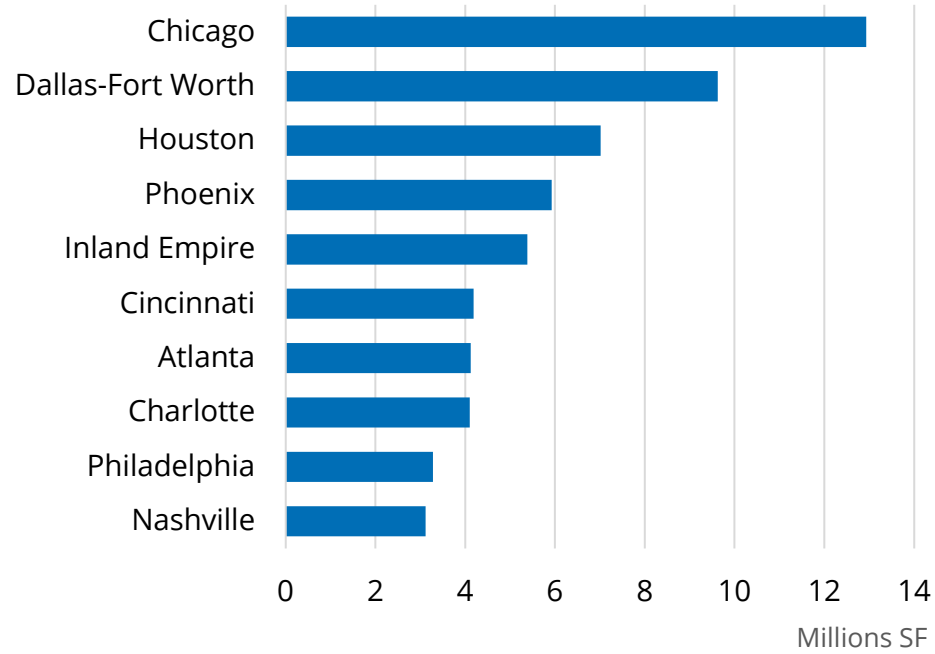


### UNDER CONSTRUCTION (MILLION SF)



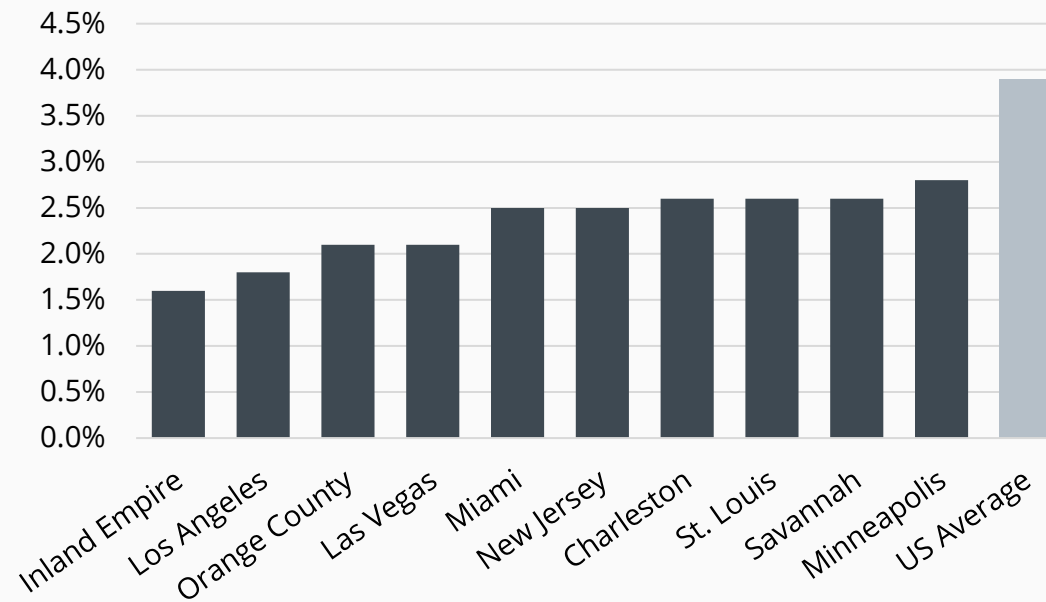
### NET ABSORPTION

Q2 2022 Net Absorption



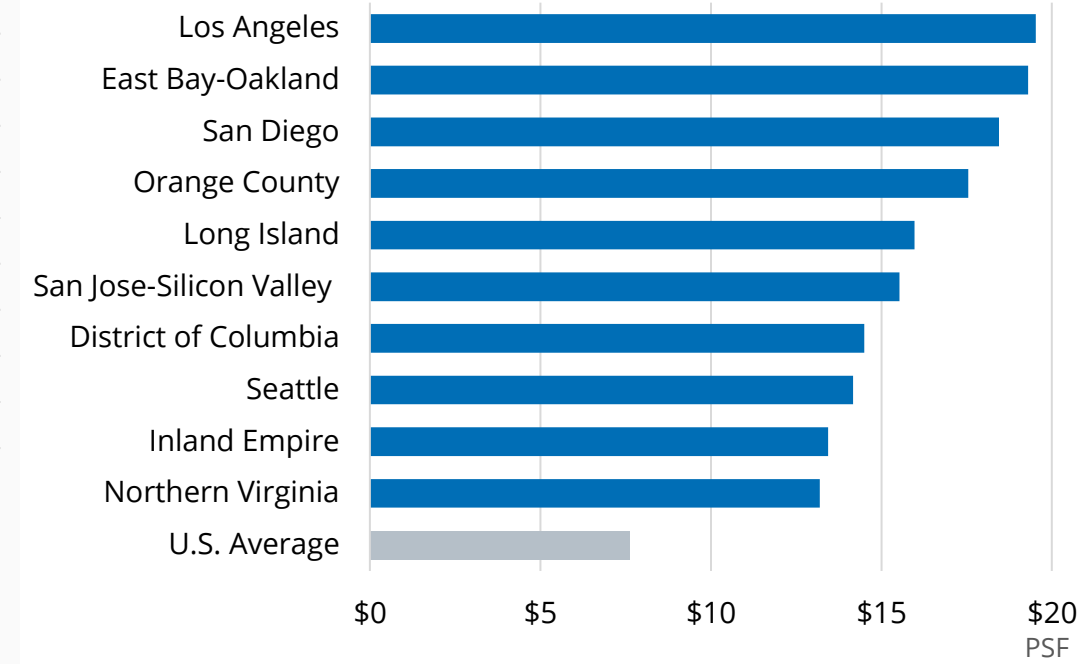
### VACANCY/CONSTRUCTION

Q2 2022 Vacancy Rate

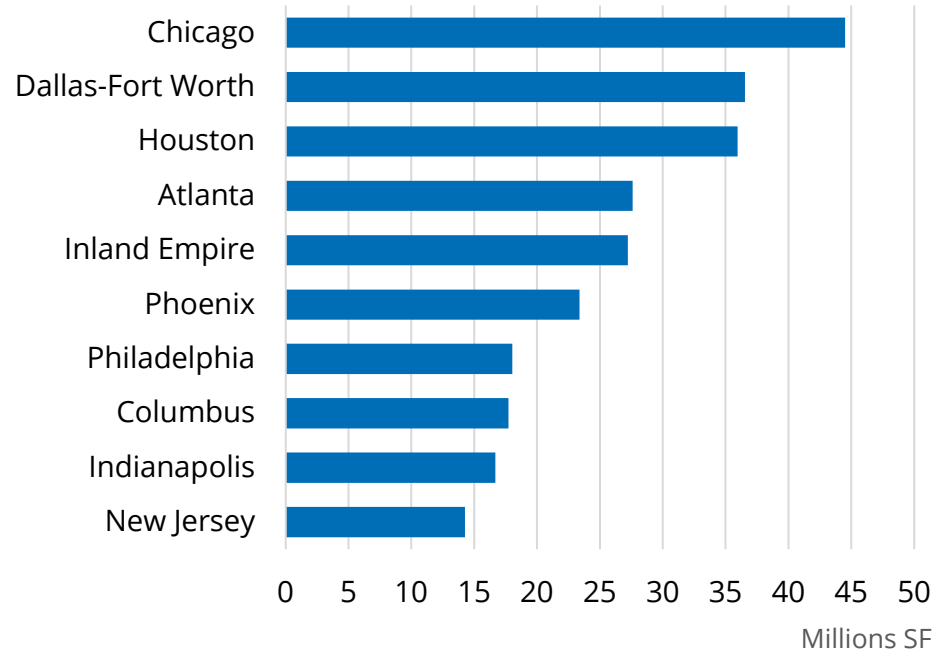


### ASKING RENTS

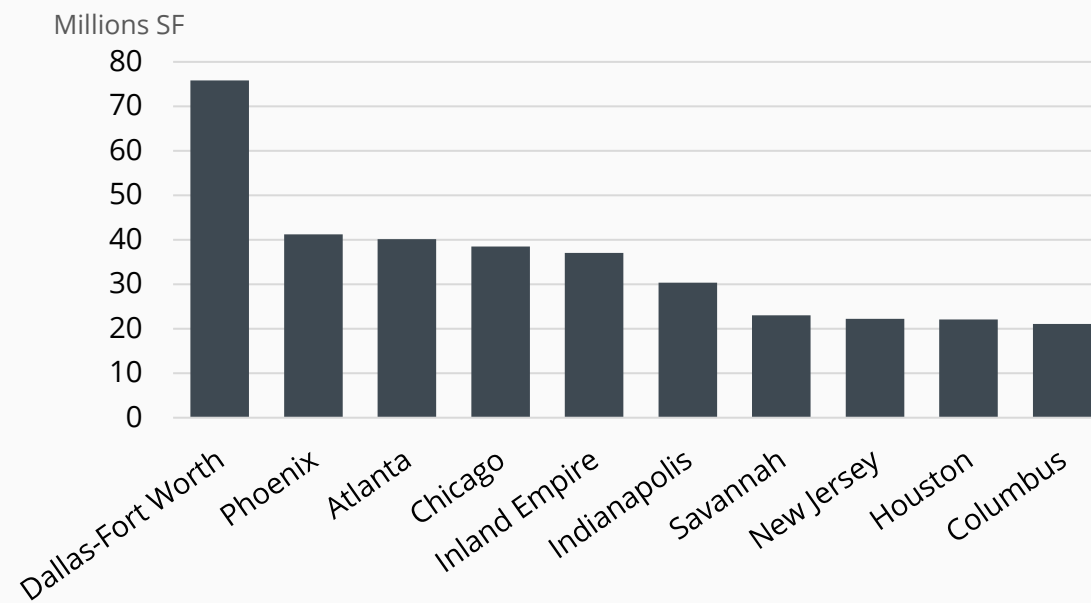
Q2 2022 Asking Rate NNN



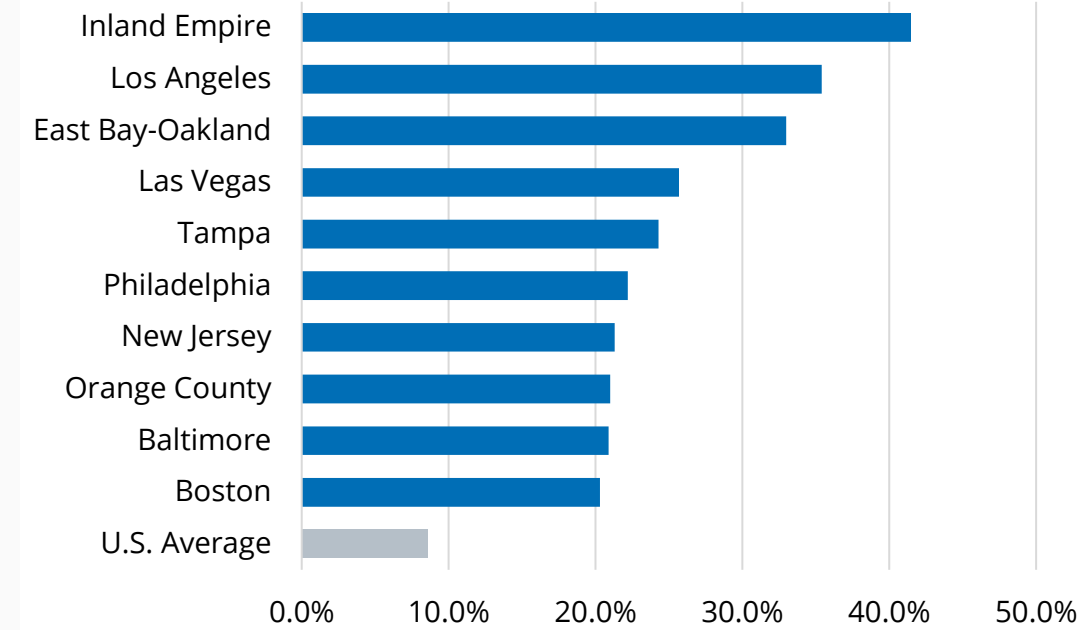
### Trailing 4-Qtr Net Absorption



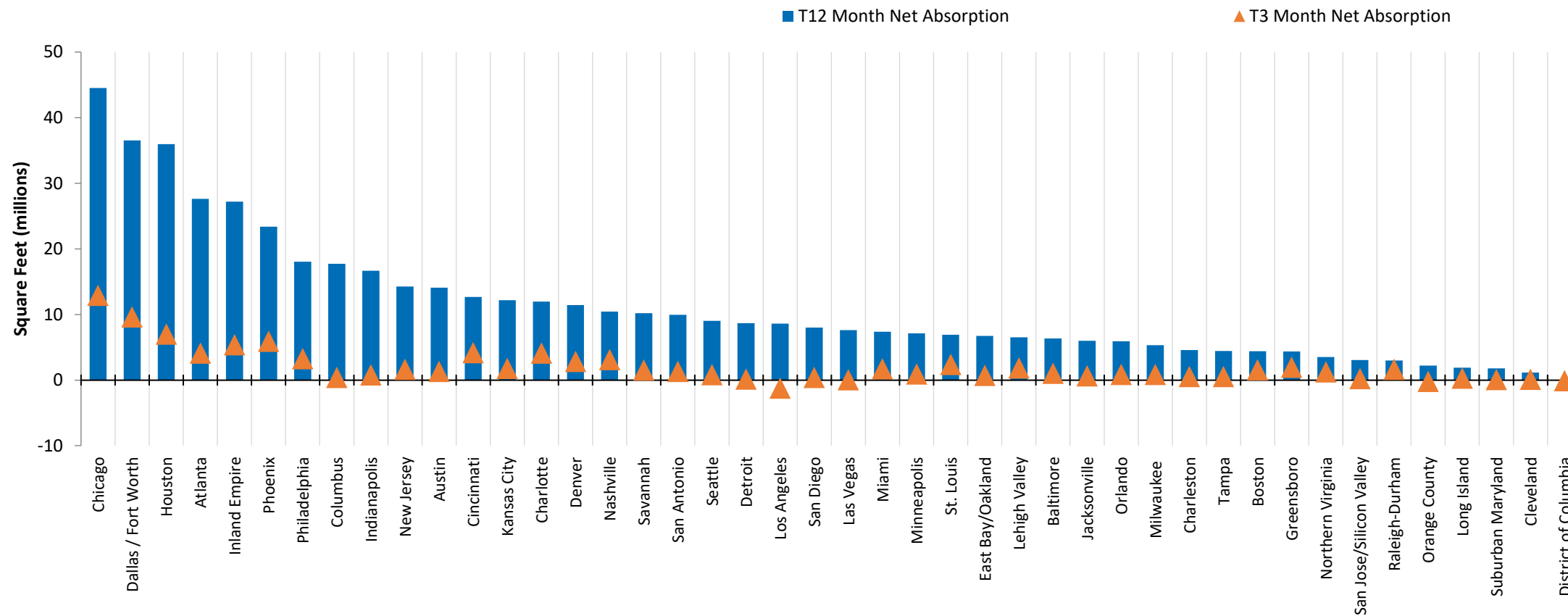
### Q2 2022 Under Construction



### Year-Over-Year Rent Growth

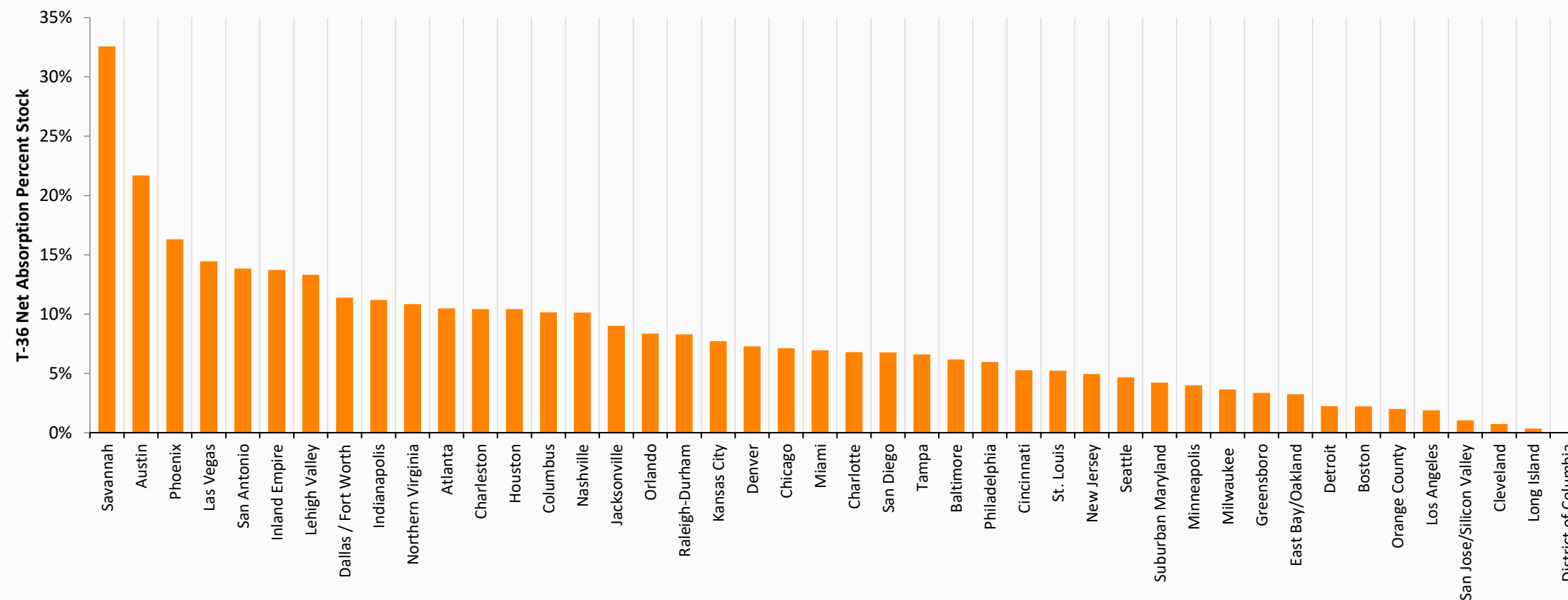


## NET ABSORPTION



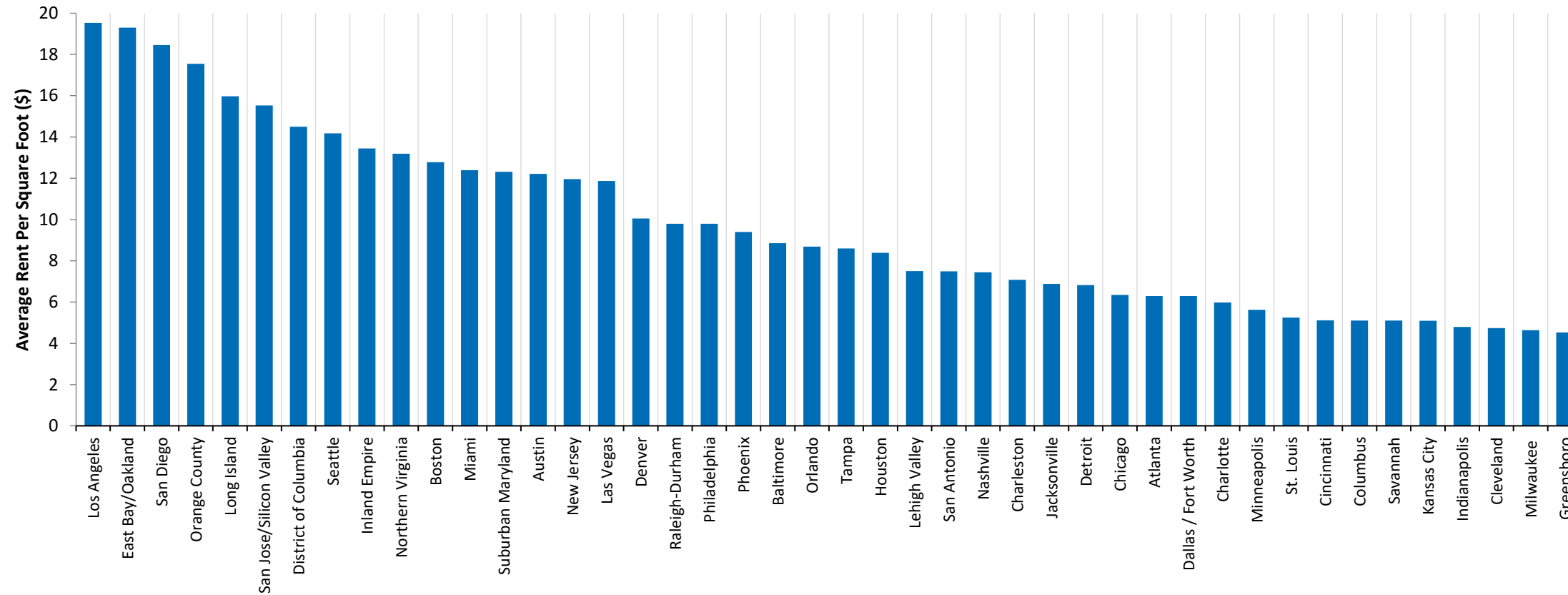
- Positive annual and quarterly net absorption were reported in almost all markets as industrial space needs continued to grow.
- The markets seeing the highest raw demand for the past year included Chicago, Dallas/Fort Worth, Houston, Atlanta, Inland Empire, and Phoenix. These six markets alone made up 40% of total net absorption in tracked markets.

## MARKET EXPANSION: 3 YEAR NET ABSORPTION % STOCK



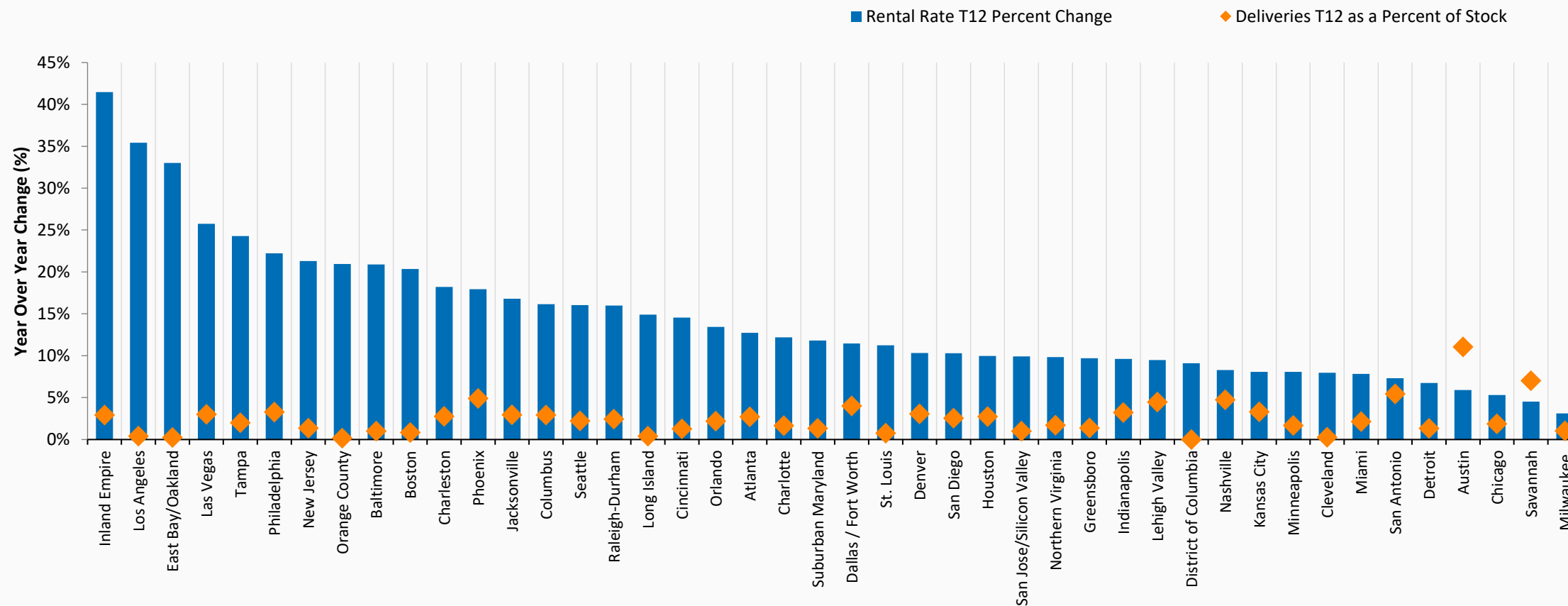
- Here we consider 3-year net absorption as a percent of stock. A higher percentage indicates that a market is more expansionary.
- In addition to the Inland Empire and Lehigh Valley, historically considered preferred locations for industrial users, markets experiencing the strongest growth are located within the Sun Belt, including Savannah, Austin, Phoenix, Las Vegas, and San Antonio.

## RENTAL RATES (NNN)



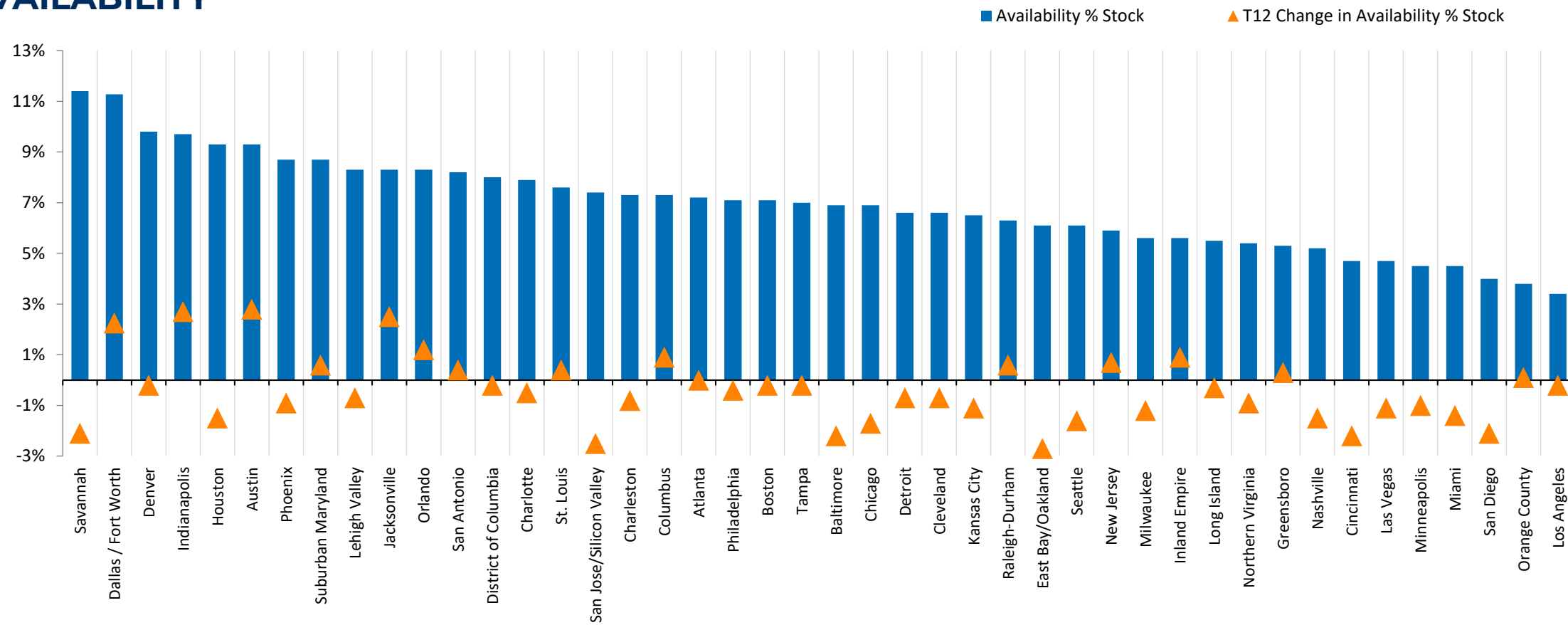
- Markets with the highest rental rates are located on the West Coast, and near the District of Columbia and New York.
- In many cases, these markets tend to have less land available for new construction, leading to lower availability rates and higher rental growth. Examples include Los Angeles, East Bay/Oakland, Orange County, and Long Island.

## RENTAL RATE CHANGE



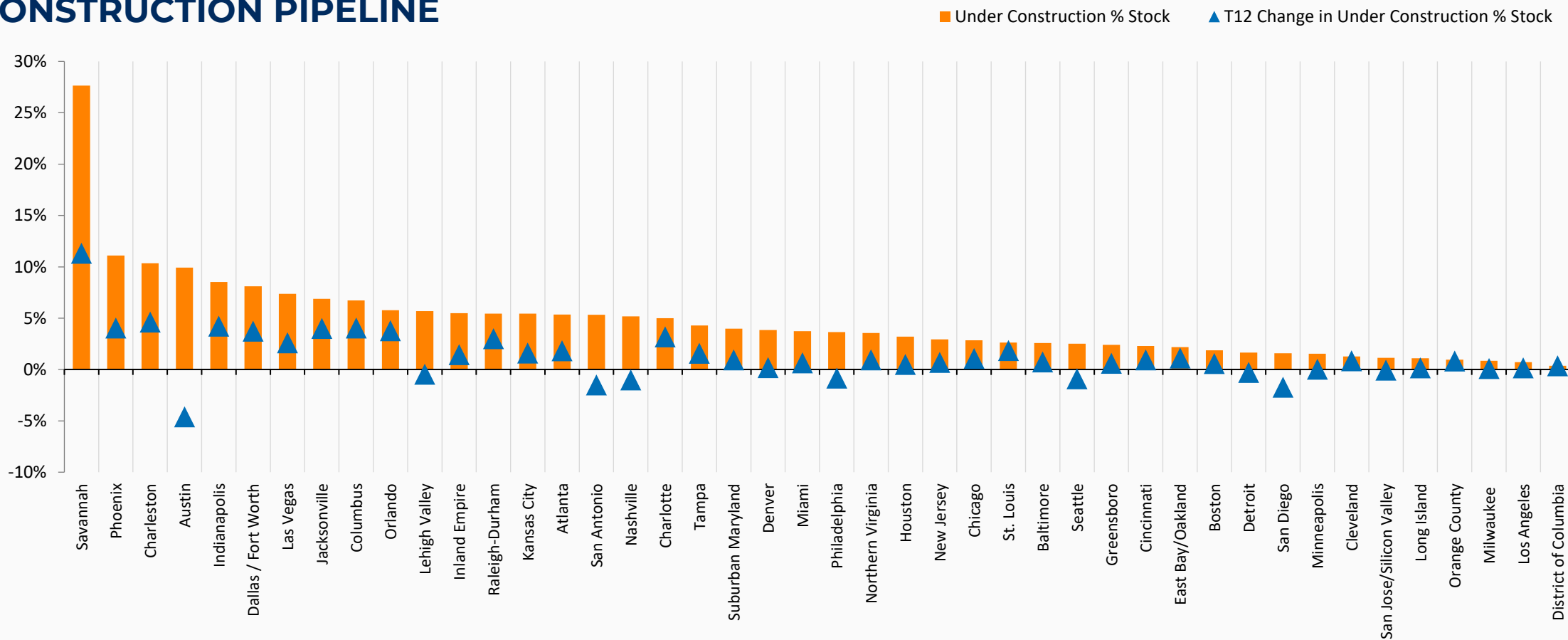
- Demand for industrial space was evidenced by strong rental growth over the past year. Over 23% of tracked markets saw growth over 20%, and all tracked markets saw positive growth during the time period.
- The top rental growth markets included Inland Empire, Los Angeles, and East Bay/Oakland.
- Note that a few of the markets with low rental-rate changes may have been reacting to recent strong supply (e.g., Austin, Savannah, San Antonio).

### 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 Austin, Indianapolis, Dallas, and Jacksonville – all of which also have higher-than-average overall availability as a percent of stock.
- Those registering the largest decreases in availability include East Bay/Oakland and San Jose/Silicon Valley.

### CONSTRUCTION PIPELINE



- Under construction stock is indicative of future expansion.
- Growth in the Sun Belt is evidenced here, especially in Savannah, Phoenix, and Charleston. With under-construction stock exceeding 10%, these markets have also seen relatively high growth of under-construction 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	750,789,877	3.3%	3.1%	4,125,883	27,612,140	\$6.29	12.7%	40,169,728
Austin	112,578,332	3.9%	3.7%	1,324,584	14,072,247	\$12.21	5.9%	11,166,463
Baltimore	228,630,132	5.6%	5.4%	1,053,660	6,348,968	\$8.85	20.9%	5,881,087
Boston	334,036,837	4.0%	3.8%	1,563,935	4,413,148	\$12.78	20.3%	6,255,274
Charleston	81,277,600	2.6%	2.2%	557,077	4,566,936	\$7.08	18.2%	8,408,703
Charlotte	329,482,090	5.0%	4.6%	4,104,347	11,975,772	\$5.98	12.2%	16,448,988
Chicago	1,352,881,687	4.5%	4.3%	12,930,309	44,519,609	\$6.35	5.3%	38,507,766
Cincinnati	321,622,945	3.0%	2.8%	4,190,641	12,690,405	\$5.12	14.5%	7,397,251
Cleveland	329,077,097	4.4%	4.2%	140,856	1,148,413	\$4.74	8.0%	4,159,104
Columbus	313,426,305	3.0%	2.8%	394,319	17,732,561	\$5.11	16.1%	21,103,488
Dallas-Fort Worth	936,803,076	5.9%	5.6%	9,624,854	36,541,686	\$6.29	11.4%	75,865,155
Denver	246,251,476	5.2%	4.9%	2,833,478	11,425,135	\$10.05	10.3%	9,447,711
Detroit	574,040,426	4.7%	4.5%	164,518	8,697,140	\$6.82	6.7%	9,504,408
District of Columbia	8,807,151	5.2%	5.1%	(68,984)	(51,996)	\$14.50	9.1%	32,835
East Bay-Oakland	247,779,083	4.5%	3.9%	729,448	6,747,340	\$19.30	33.0%	5,428,513
Greensboro	280,366,668	3.1%	3.1%	1,978,254	4,385,255	\$4.53	9.7%	6,754,451
Houston	690,651,136	5.7%	5.4%	7,013,532	35,955,624	\$8.39	10.0%	22,086,398
Indianapolis	355,733,195	4.3%	3.8%	807,025	16,680,927	\$4.79	9.6%	30,349,177
Inland Empire	675,070,912	1.6%	1.4%	5,386,298	27,218,922	\$13.44	41.5%	37,044,216
Jacksonville	137,879,262	3.2%	3.0%	658,666	5,980,554	\$6.88	16.8%	9,493,106
Kansas City	309,496,089	4.6%	4.5%	1,781,541	12,163,189	\$5.09	8.1%	16,822,359
Las Vegas	142,861,737	2.1%	1.6%	55,493	7,624,221	\$11.87	25.7%	10,544,428

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	150,616,931	4.9%	4.5%	1,858,935	6,514,702	\$7.50	9.5%	8,551,777
Long Island	155,710,687	3.6%	3.1%	315,742	1,892,323	\$15.97	14.9%	1,709,286
Los Angeles	852,012,188	1.8%	1.6%	(1,211,415)	8,604,565	\$19.53	35.4%	6,061,177
Miami	239,813,198	2.5%	2.4%	1,712,844	7,378,118	\$12.39	7.8%	8,967,110
Milwaukee	245,448,418	2.9%	2.9%	870,605	5,314,054	\$4.64	3.1%	2,104,915
Minneapolis	308,805,518	2.8%	2.6%	930,861	7,129,545	\$5.63	8.1%	4,760,075
Nashville	234,445,587	3.8%	3.7%	3,119,926	10,440,722	\$7.45	8.3%	12,146,355
New Jersey	755,996,835	2.5%	2.2%	1,649,310	14,271,030	\$11.96	21.3%	22,219,621
Northern Virginia	118,142,529	3.4%	3.3%	1,260,077	3,521,134	\$13.19	9.8%	4,200,673
Orange County	270,040,050	2.1%	2.0%	(204,455)	2,225,711	\$17.55	21.0%	2,620,833
Orlando	171,158,264	3.5%	3.4%	852,759	5,927,790	\$8.69	13.4%	9,896,011
Philadelphia	551,433,073	4.5%	4.3%	3,283,154	18,035,274	\$9.79	22.2%	20,093,779
Phoenix	371,421,453	4.3%	4.0%	5,928,970	23,386,450	\$9.40	17.9%	41,185,137
Raleigh-Durham	130,640,487	3.6%	3.4%	1,649,622	3,006,106	\$9.80	16.0%	7,120,466
San Antonio	143,365,331	4.3%	4.1%	1,314,162	9,960,088	\$7.49	7.3%	7,654,510
San Diego	180,545,047	2.9%	2.7%	401,487	7,999,472	\$18.45	10.3%	2,877,103
San Jose-Silicon Valley	186,095,187	6.8%	6.2%	222,159	3,074,239	\$15.53	9.9%	2,144,704
Savannah	83,319,652	2.6%	2.6%	1,537,785	10,217,127	\$5.10	4.5%	23,020,419
Seattle	316,910,586	4.5%	4.2%	831,808	9,039,787	\$14.17	16.1%	7,967,060
St. Louis	300,074,362	2.6%	2.4%	2,389,292	6,907,062	\$5.25	11.2%	7,872,100
Suburban Maryland	107,107,697	5.3%	5.0%	90,530	1,781,326	\$12.31	11.8%	4,270,729
Tampa	181,501,055	3.9%	3.7%	556,234	4,456,042	\$8.60	24.3%	7,795,046



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## 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, investment management, and opportunistic endeavors for high-net-worth investors. 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](http://transwestern.com) and [@Transwestern](https://www.instagram.com/transwestern).

## RESEARCH METHODOLOGY

The information in this report is a compilation of single and multi-tenant office properties located in select U.S. metropolitan areas. Medical offices and government-owned buildings are excluded from analysis. All rents are reported as base, which are rents reflected irrespective of service type (Full Service, Plus Electric, etc.).