

# ELITE 11

U.S. Industrial Markets



TRANSWESTERN

MID-YEAR 2022



## 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 core and 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	751
Chicago	1353
Dallas / Fort Worth	937
Houston	691
Lehigh Valley	650
New Jersey	756
Northern California	603
Seattle	317
South Florida	365
Southern California	1978
Washington-Baltimore	463

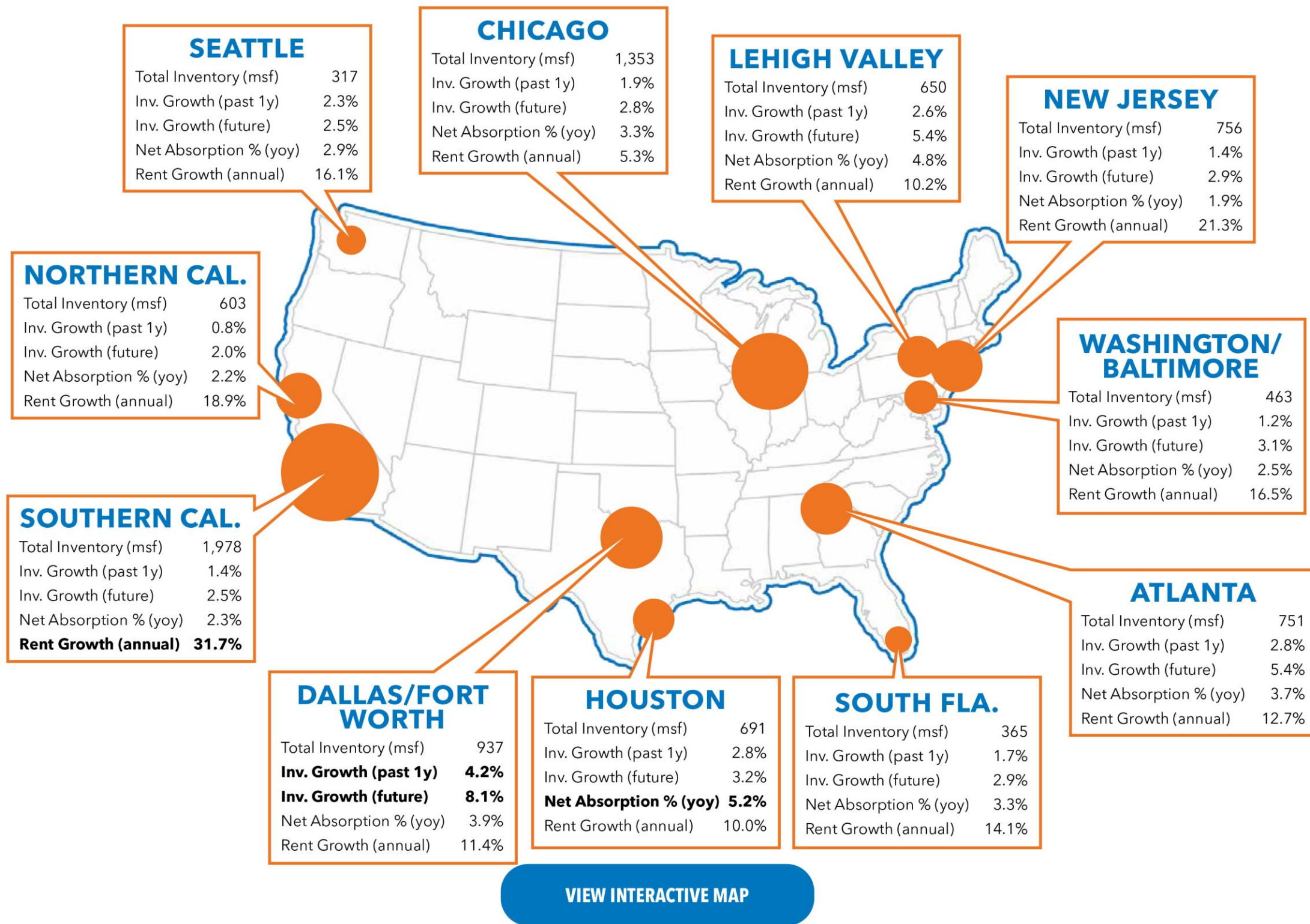
## NATIONAL OVERVIEW

Demand for U.S. industrial product remained strong, resulting in new records across several metrics, and presenting unique challenges for investors and tenants. Occupancy levels tightened further, albeit a bit more slowly, as tenant traffic is beginning to level off from a blistering pace. Nevertheless, over 100 MSF of positive net absorption has accumulated in each of the past seven quarters.

Market pressures pushed rents higher, with the asking average growing 8.6% to \$7.61 per SF, setting another record for YoY growth, and reflecting a nearly 17% increase since the start of the pandemic. New construction starts surpassed 850 MSF for the first time, more than double the level three years ago, which will help alleviate constrained markets.

Amazon's announcement that it plans to sublease up to 30 MSF of space has raised concerns of overbuilding in some markets, especially if consumer demand dips. However, major retailers are drowning in inventory, and U.S. ports continue to set cargo records. In this environment, industrial real estate markets will continue to prosper nearly everywhere as warehouses remain stocked and supply shortages persist.





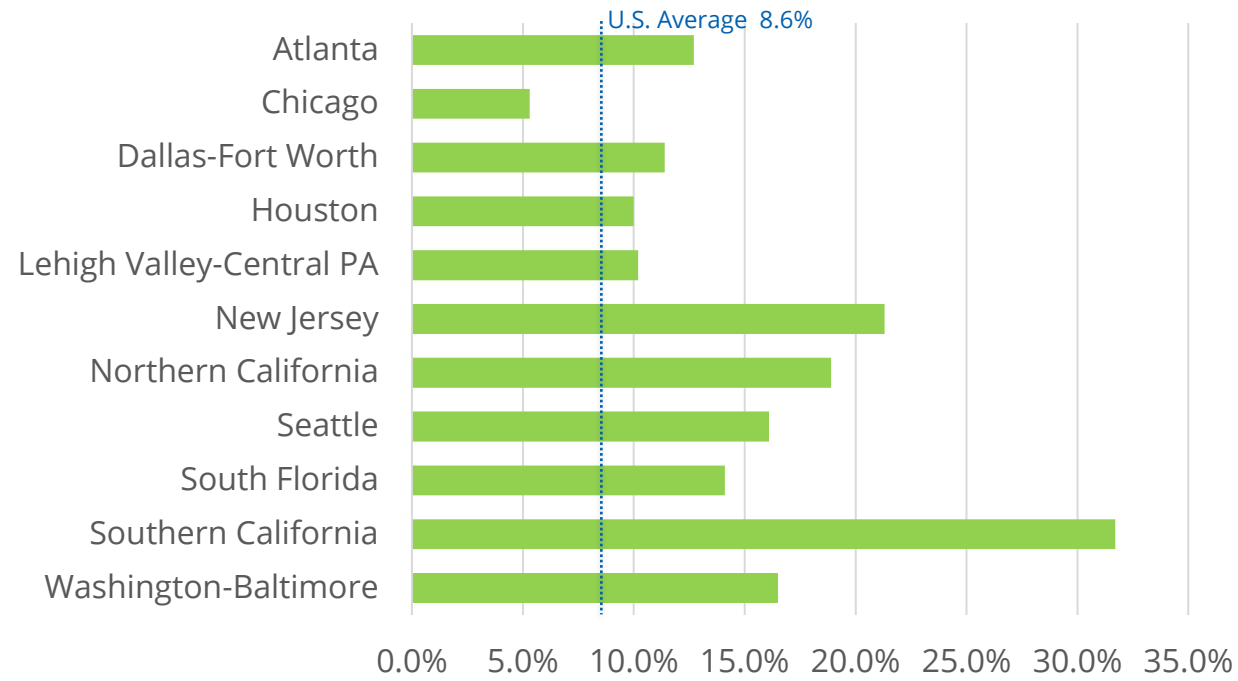
**Bold text** indicates top-ranked indicator nationally.

## MARKET HIGHLIGHTS

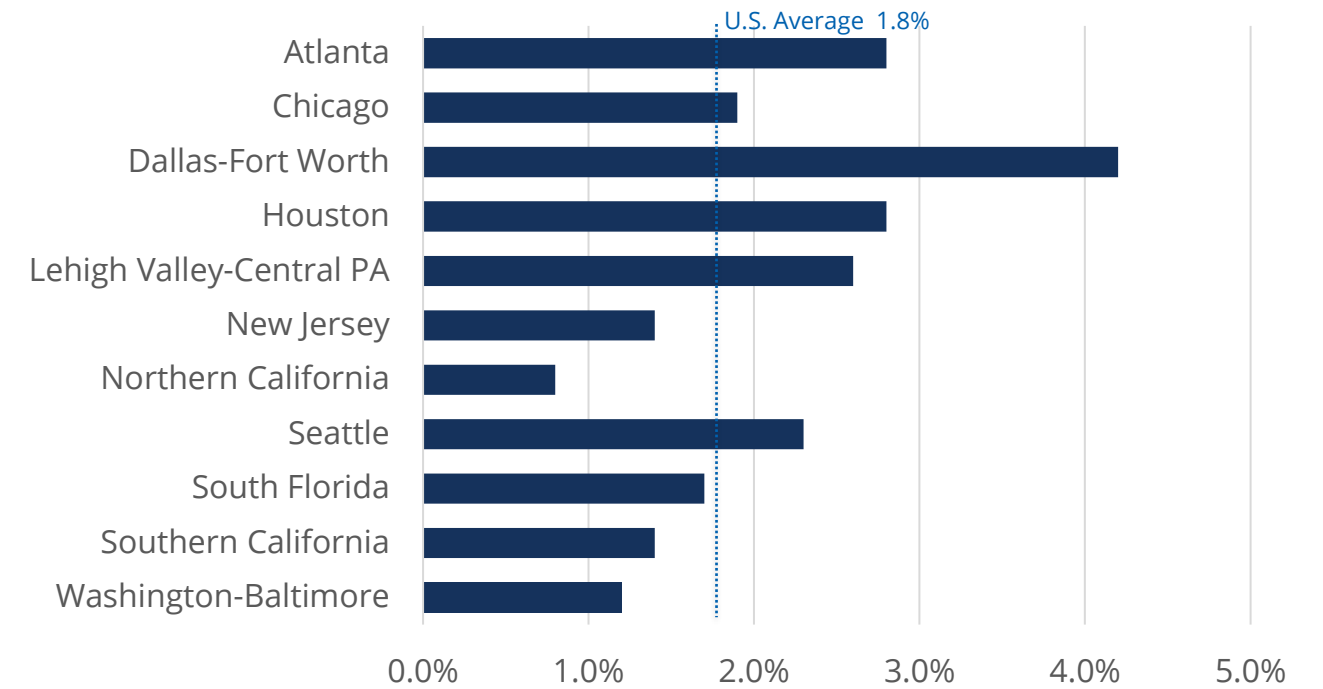
- Development continues unabated in the **Dallas** area; the market grew by 4.2% in the past 12 months and is projected to expand by another 8.1% over the next year.
- **Houston** climbed to the top of the list for YoY occupancy growth among Elite 11 markets for the first half of 2022.
- Though supply chain congestion has begun to ease in **Southern California**, warehouses remain more than 98% occupied, causing rent growth to skyrocket more than 30% YoY.
- Accelerated leasing velocity has **Atlanta** running short on vacant industrial space, but approximately 40 MSF of deliveries over the next year should ease the market.
- In **Chicago**, tenants absorbed a net total of more than 40 MSF in the past 12 months, the highest YoY increase on record.
- Developers have responded to constrained market conditions in **South Florida** with record new construction; still, the area remains undersupplied as evidenced by double-digit (%) rent growth.
- Relentless demand in the Northeast has resulted in record new construction levels in **New Jersey** and **Lehigh Valley-Central PA**.
- In the past 12 months, 10 of 11 regions experienced double-digit (%) rent growth.



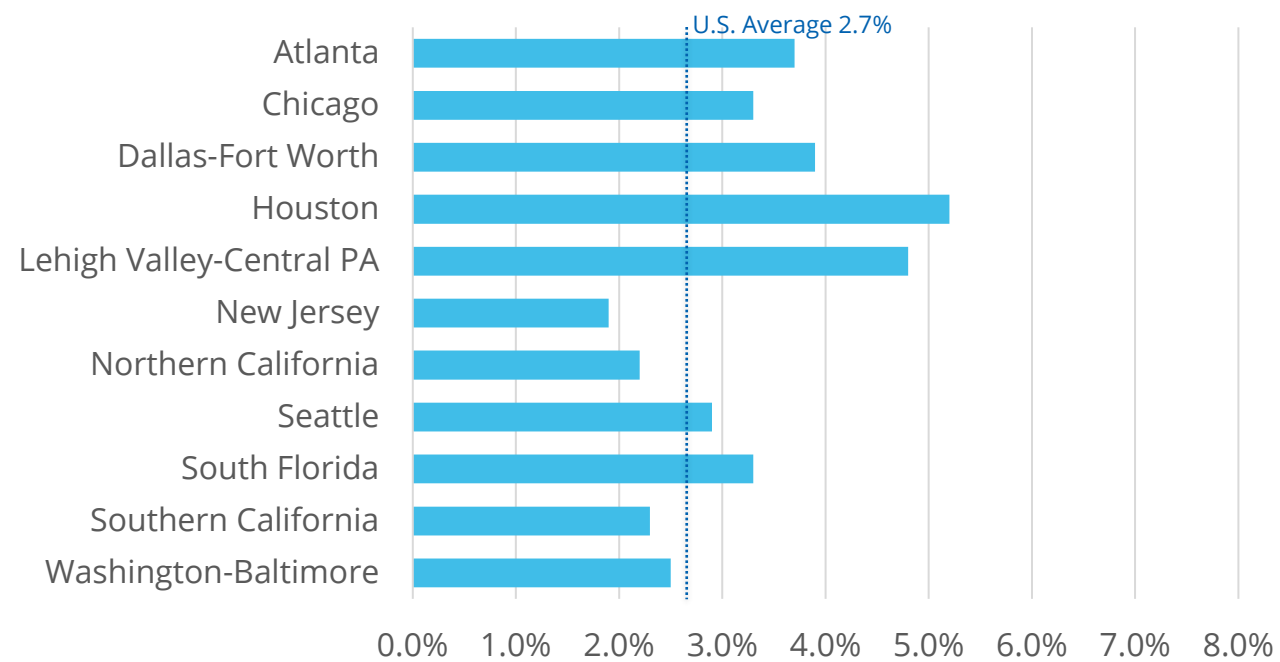
### RENT GROWTH Year-over-Year



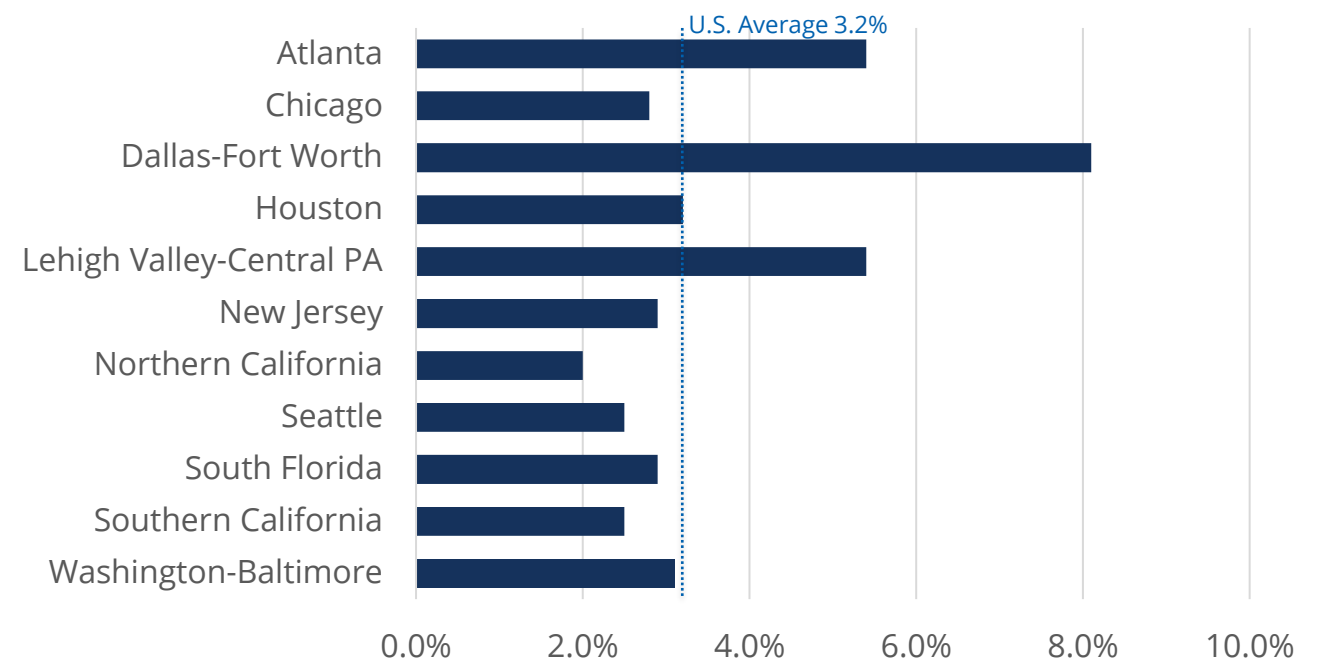
### 12-MONTH MARKET GROWTH Percentage of Inventory



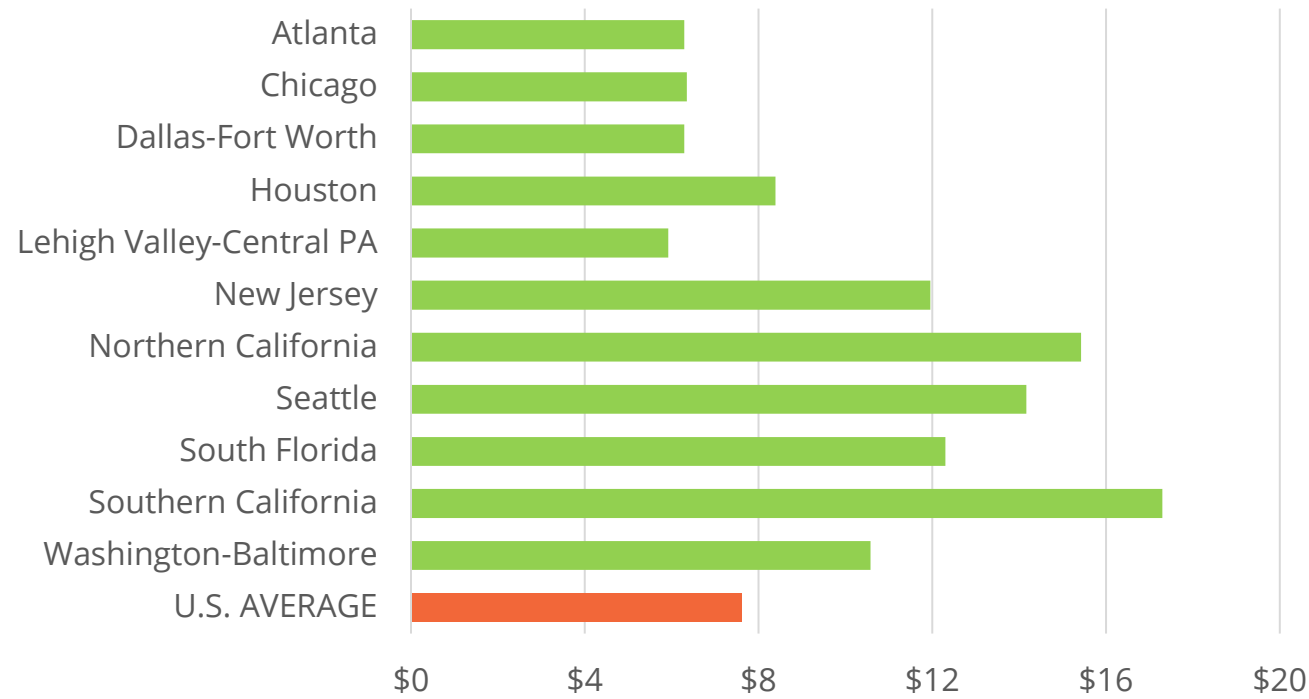
### 4-QUARTER NET ABSORPTION Percentage of Inventory



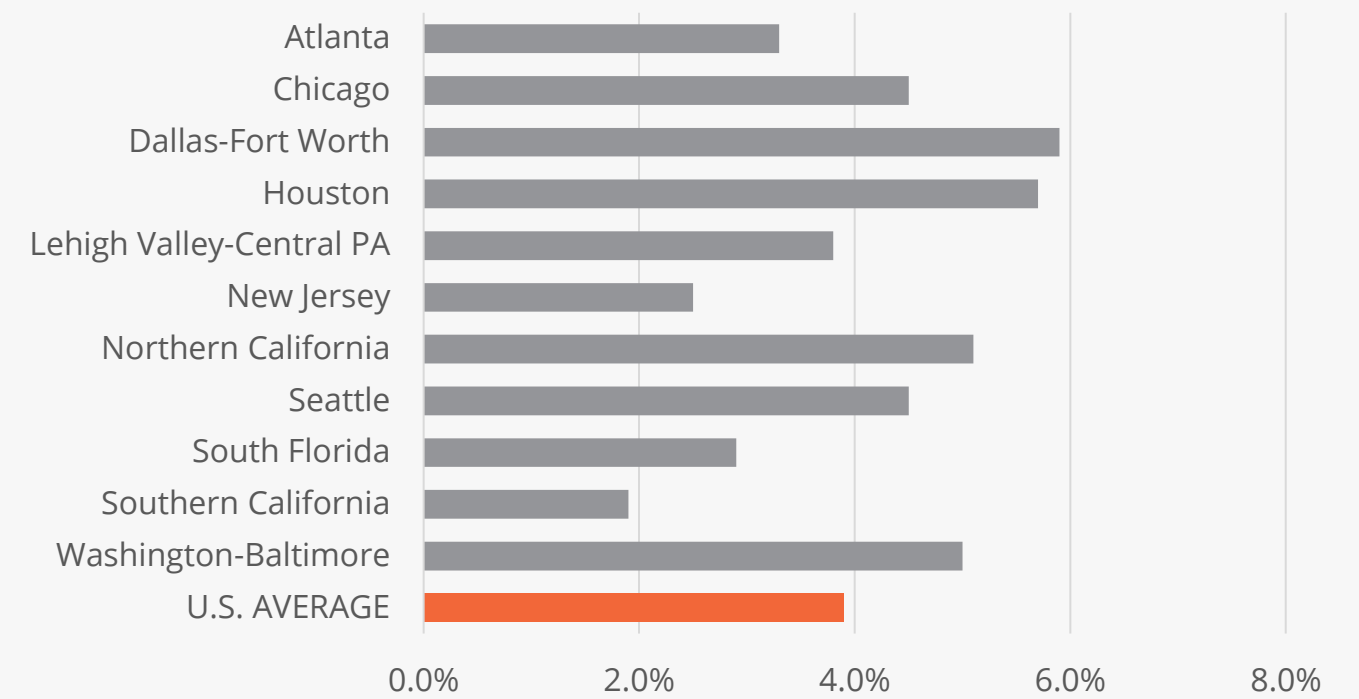
### FUTURE DELIVERIES Percentage of Inventory



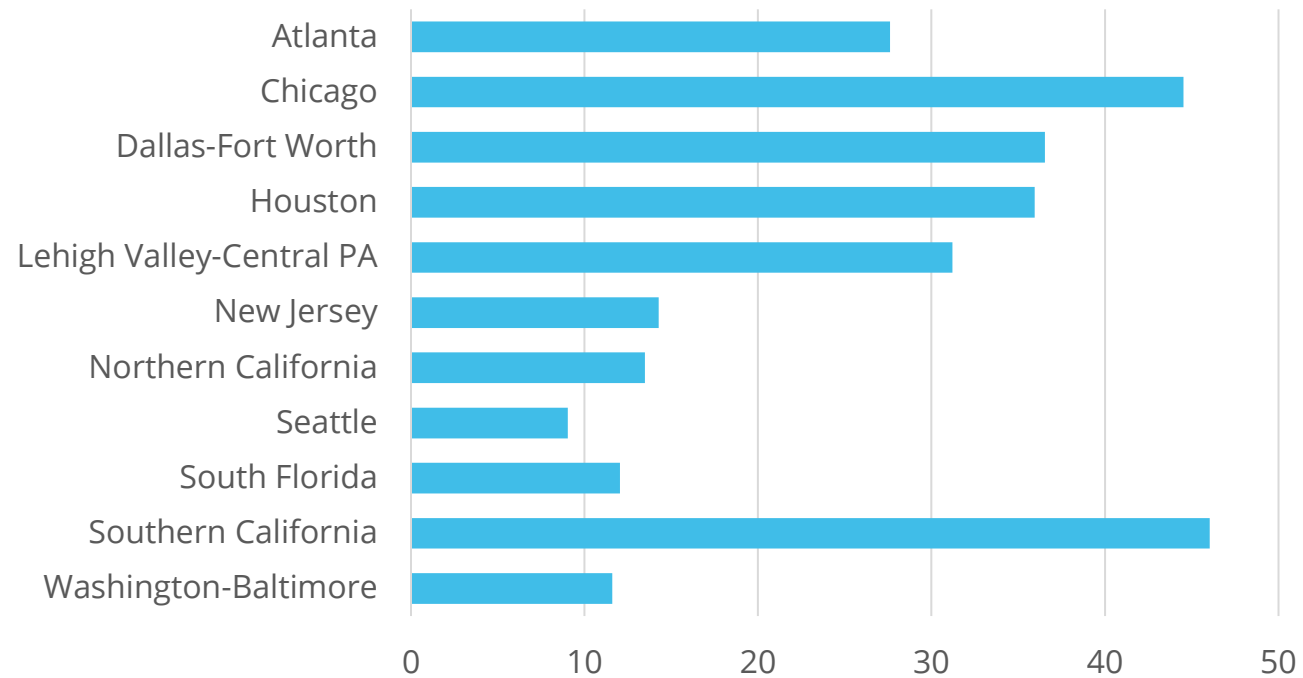
### ASKING RENT PSF NNN



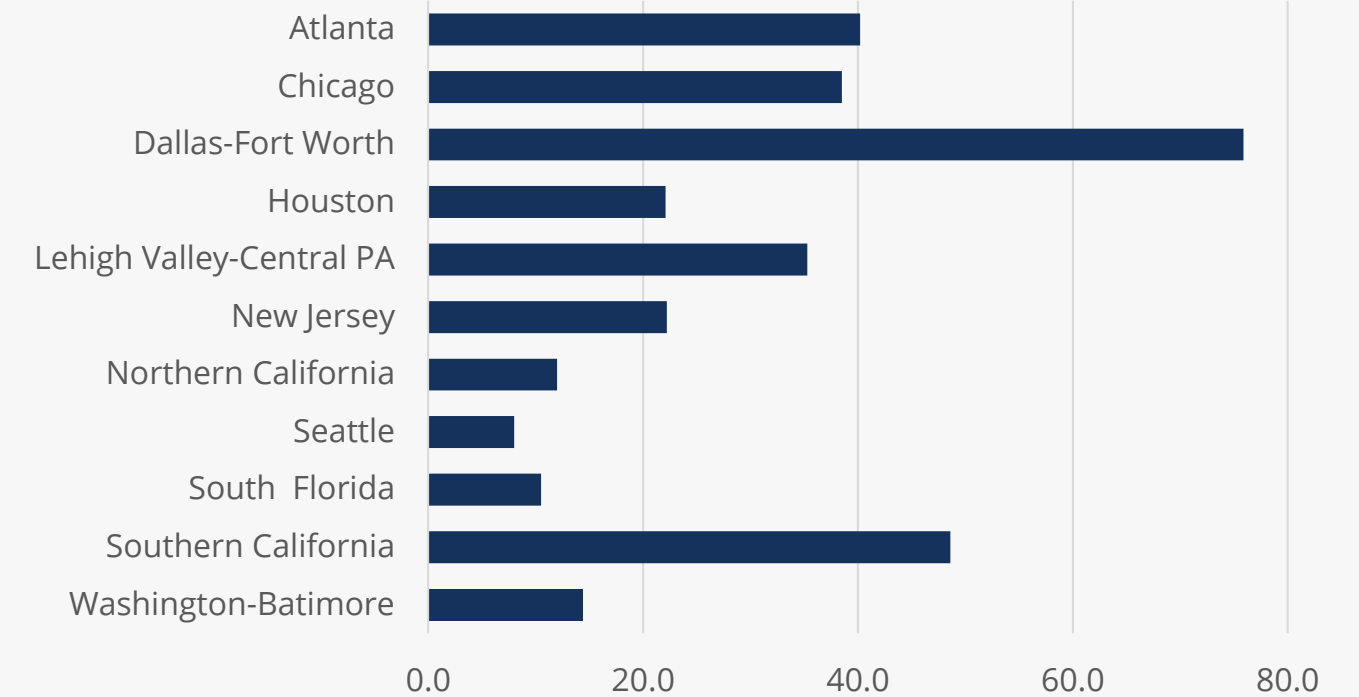
### VACANCY RATE



### TRAILING 4-QUARTER NET ABSORPTION (MSF)

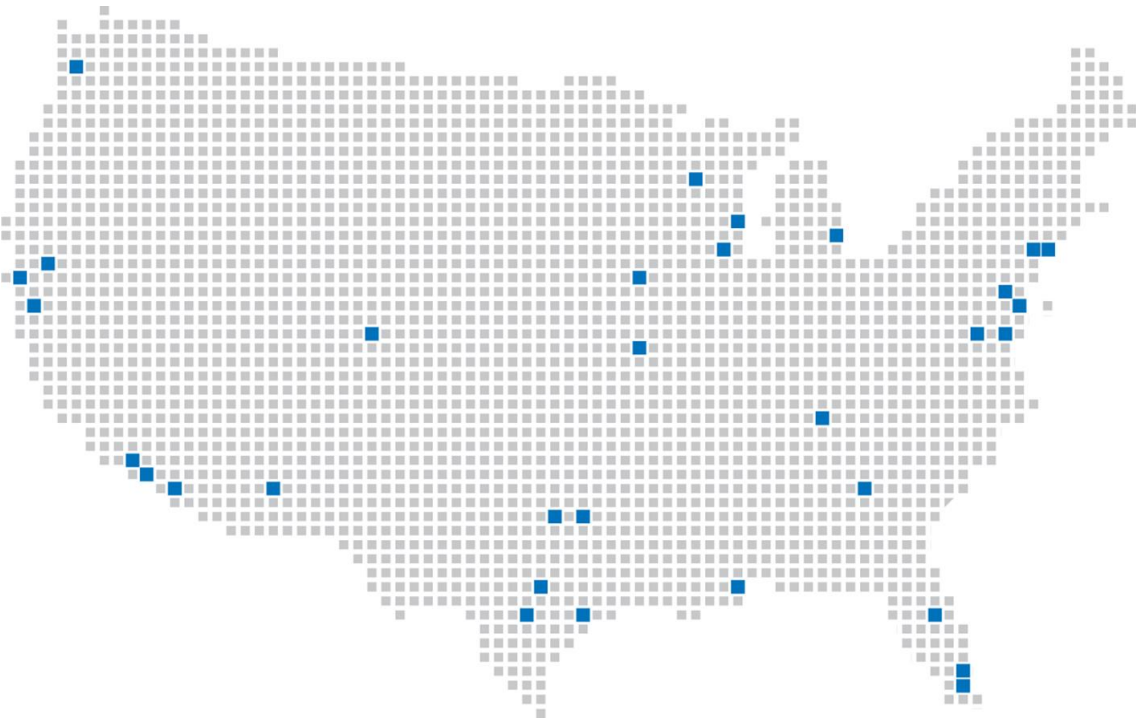


### UNDER CONSTRUCTION (MSF)





## 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. All rents are reported as triple net.

- **Lehigh Valley-Central PA** includes the Lehigh Valley as well as Northeast and Central Pennsylvania
- **Northern California** includes East Bay/Oakland, Sacramento and San Jose/Silicon Valley
- **Southern California** includes the Inland Empire, Los Angeles, Orange County and San Diego
- **South Florida** includes Miami and Broward County
- **Washington/Baltimore** includes Baltimore, the 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.

## AUTHOR

Matthew Dolly  
Research Director | Strategic Accounts  
National Industrial Research Leader  
[matthew.dolly@transwestern.com](mailto:matthew.dolly@transwestern.com)  
973.947.9244

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