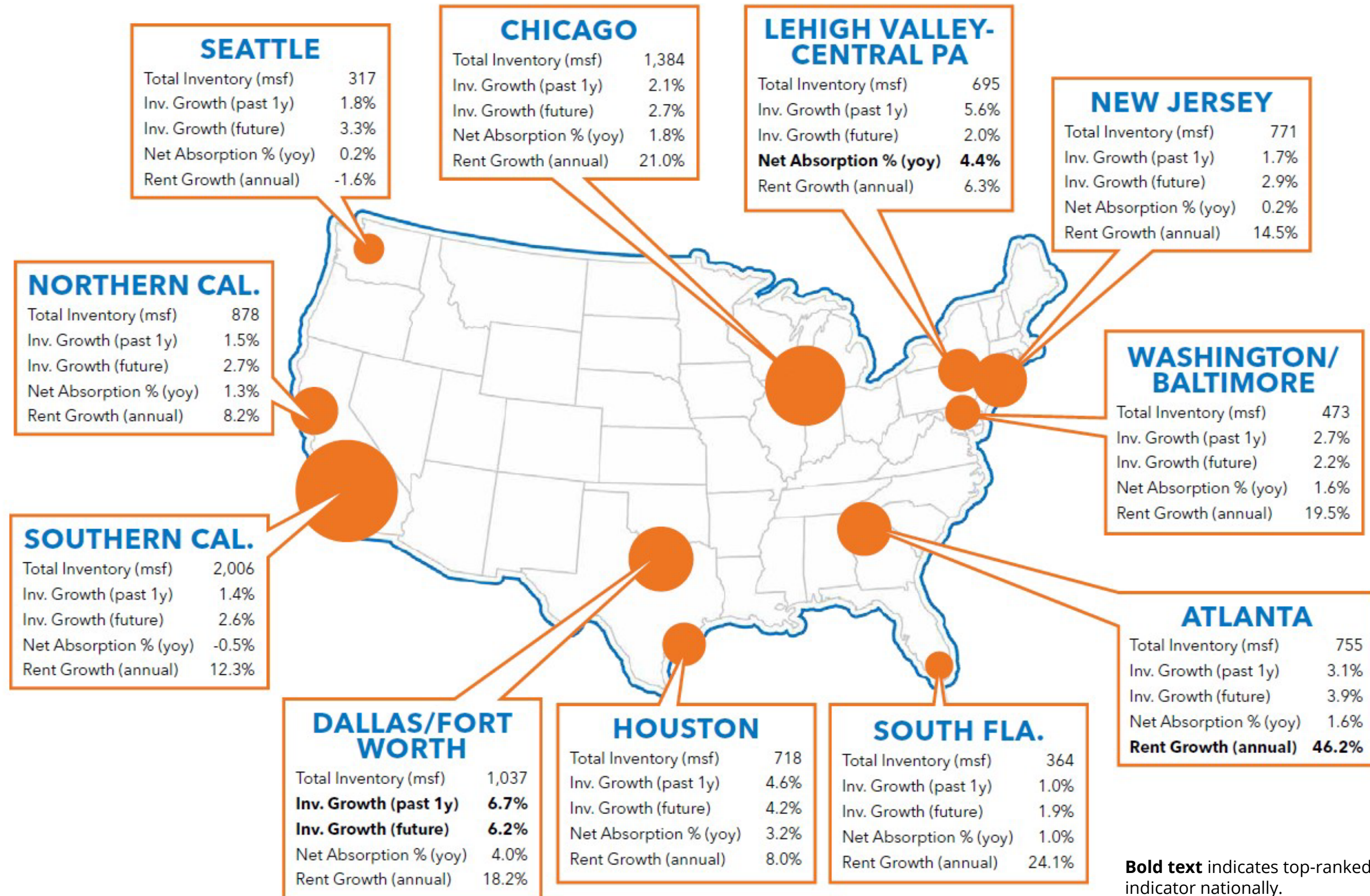


ELITE 11

U.S. Industrial Markets

MID-YEAR 2023





Bold text indicates top-ranked indicator nationally.



[VIEW INTERACTIVE MAP](#)

NATIONAL OVERVIEW

Industrial Activity Scales Back to Normalized Pace

After massive expansion in 2021 and 2022, U.S. market growth normalized to more typical, pre-pandemic conditions in the first half of 2023.

Here's the big picture.

Total occupancy continued to grow.

However, the overall vacancy rate rose by 40 basis points as new deliveries outpaced total net absorption for the past four quarters, while an increasing number of markets experienced decelerated leasing activity. Moreover, sublease offerings represented the highest percentage of vacant space since 2010.

New product is driving rent growth.

For the U.S., 93% of markets reported higher rents when compared YoY, with an average growth of 15.2%. One-third of markets experienced increases greater than 20%.

Owners are adjusting to market slowdown.

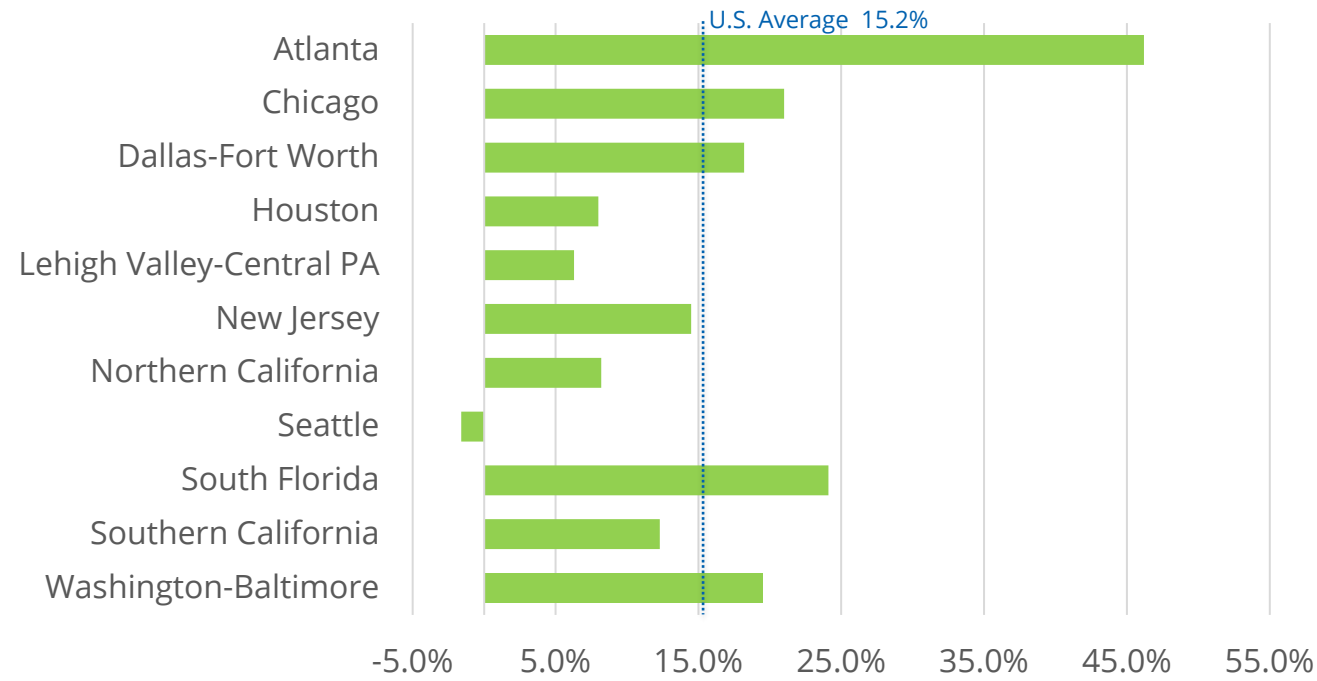
In some markets, an increasing number of landlords are offering more flexible lease terms and, in some cases, owners of higher-quality assets are willing to subdivide. Additionally, savvy developers are evaluating ways to modernize future projects to be better positioned when leasing ramps up once again.

ELITE 11 MARKET HIGHLIGHTS

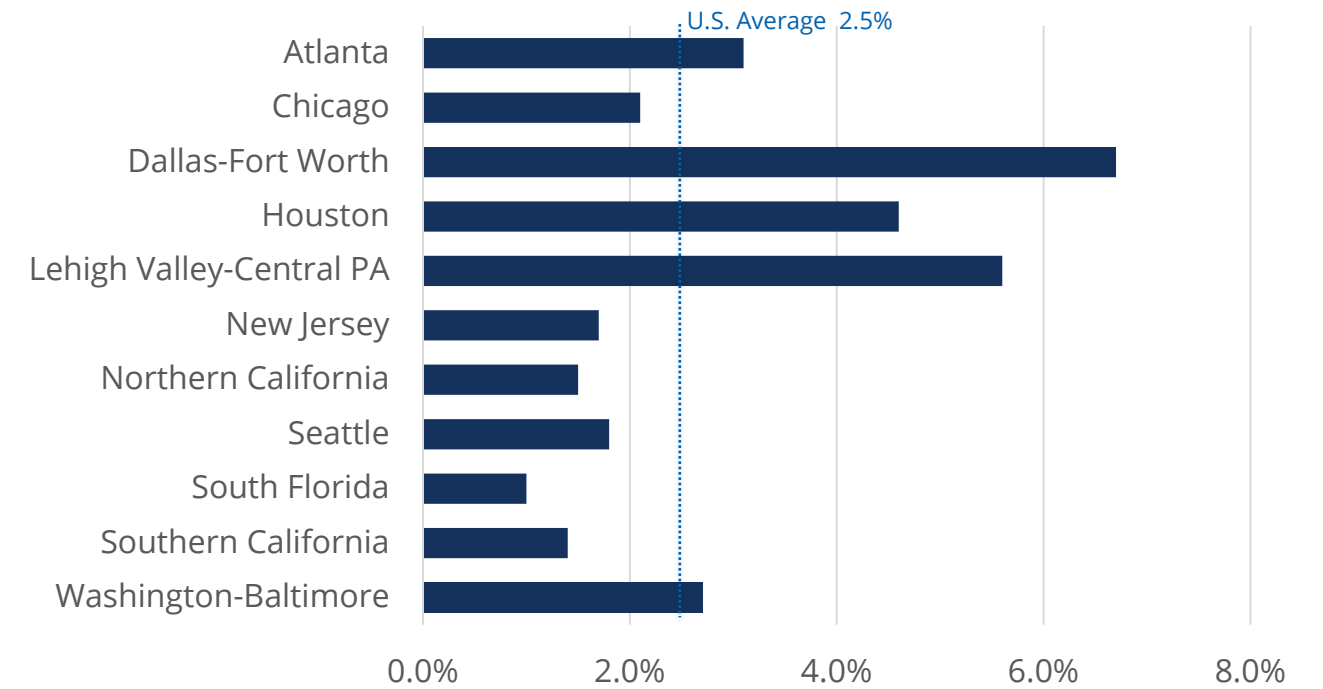
- **Dallas** inventory continues to increase at the fastest pace, though risk of overbuilding is moderating as new starts are in-line with leasing velocities in spec projects.
- Likewise, concerns about overbuilding are fading in **Chicago**, where rents rose as occupancy growth kept pace with development.
- Demand remained intense in **Lehigh Valley**, where occupancy grew at the highest rate among Elite 11 markets YoY.
- Asking rents continued to climb in **Atlanta** amid rising vacancy rates and the first quarter of negative absorption in a decade.
- Activity cooled in **South Florida**, partially attributed to historically low vacancy and limited construction, which are pushing rent growth to record levels.
- Though leasing has cooled, **Houston** continued to expand at a healthy pace, and the region remains a desirable destination.
- New product in **Washington/Baltimore** is meeting demand, though the pipeline is contracting, driving strong rent growth.
- Slowing demand and an influx of new deliveries have led to vacancy increases in **Southern California**.



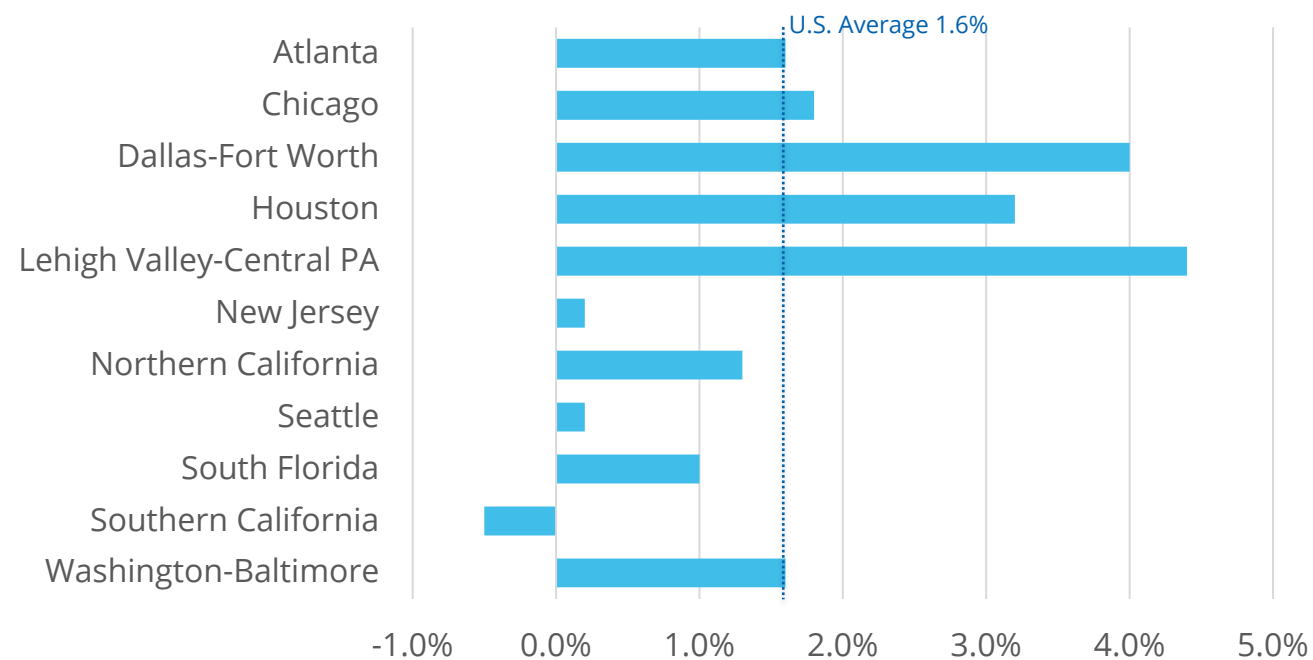
RENT GROWTH Year-over-Year



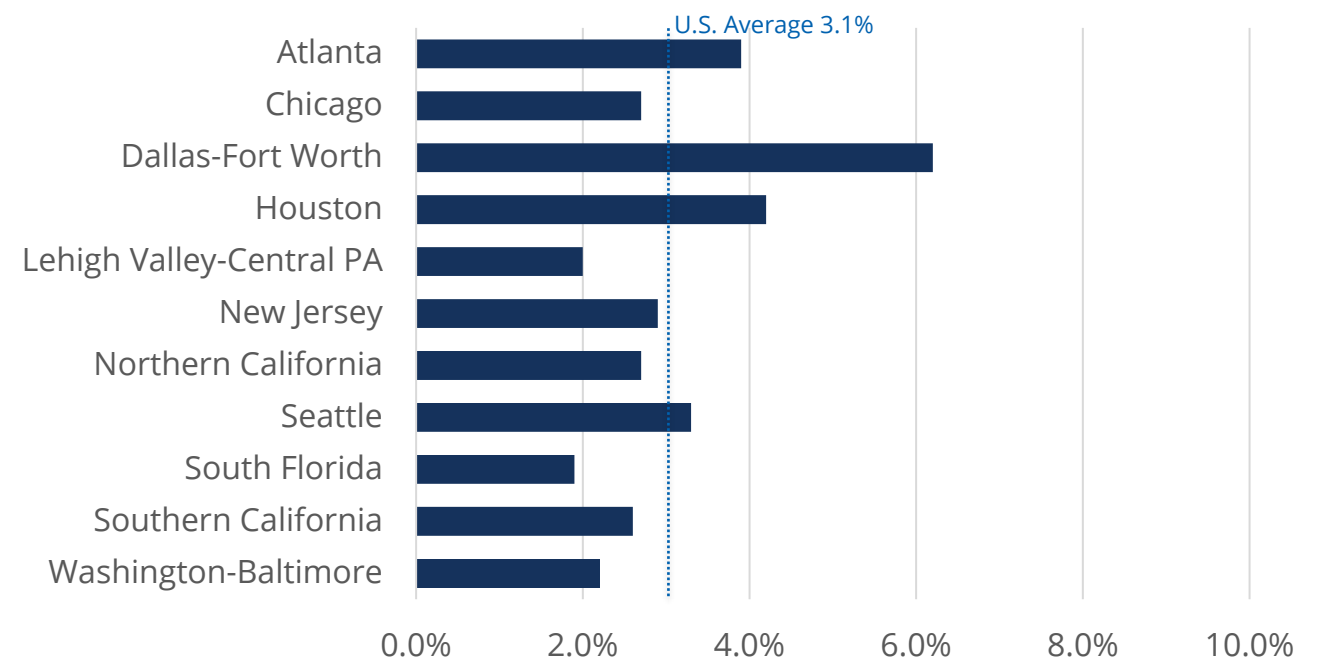
12-MONTH MARKET GROWTH Percentage of Inventory



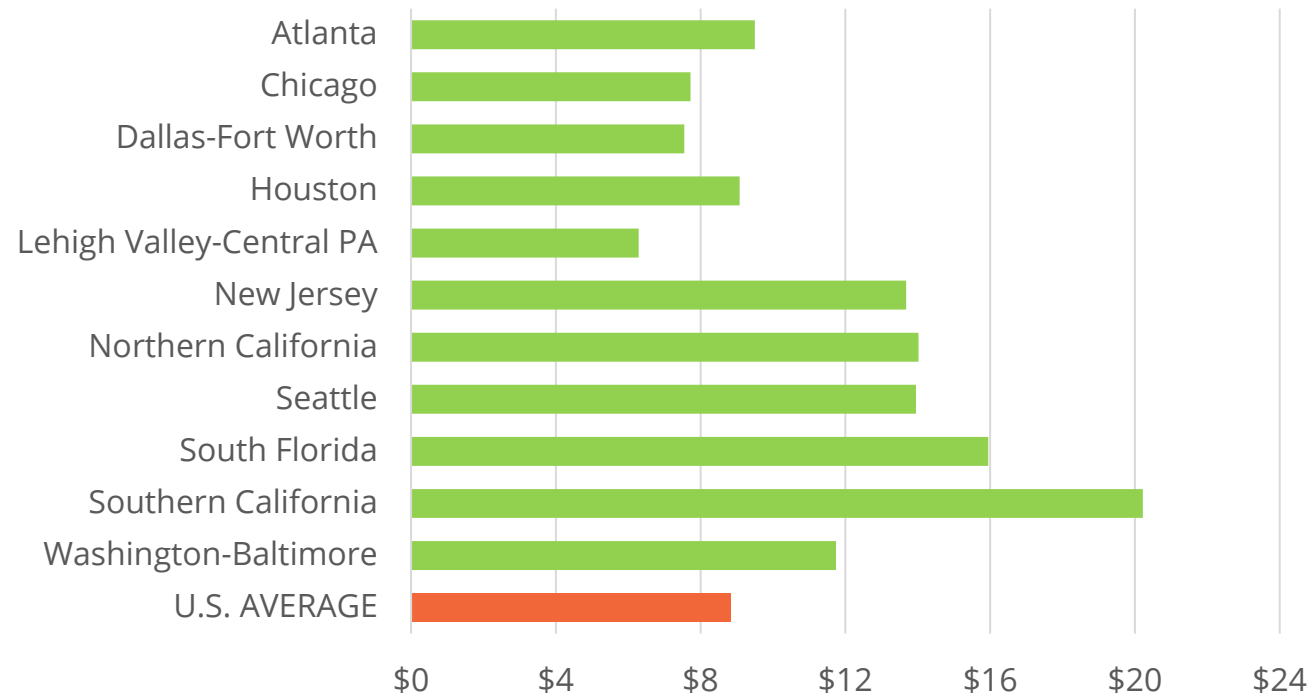
4-QUARTER NET ABSORPTION Percentage of Inventory



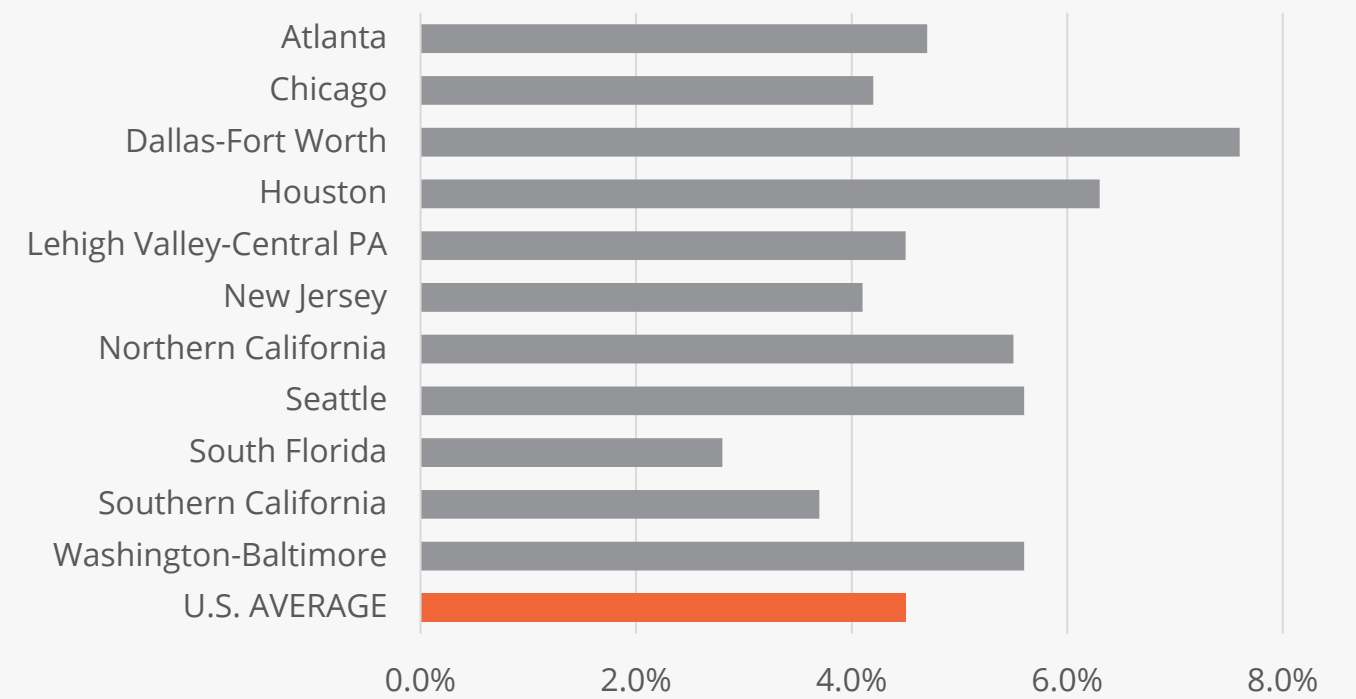
FUTURE DELIVERIES Percentage of Inventory



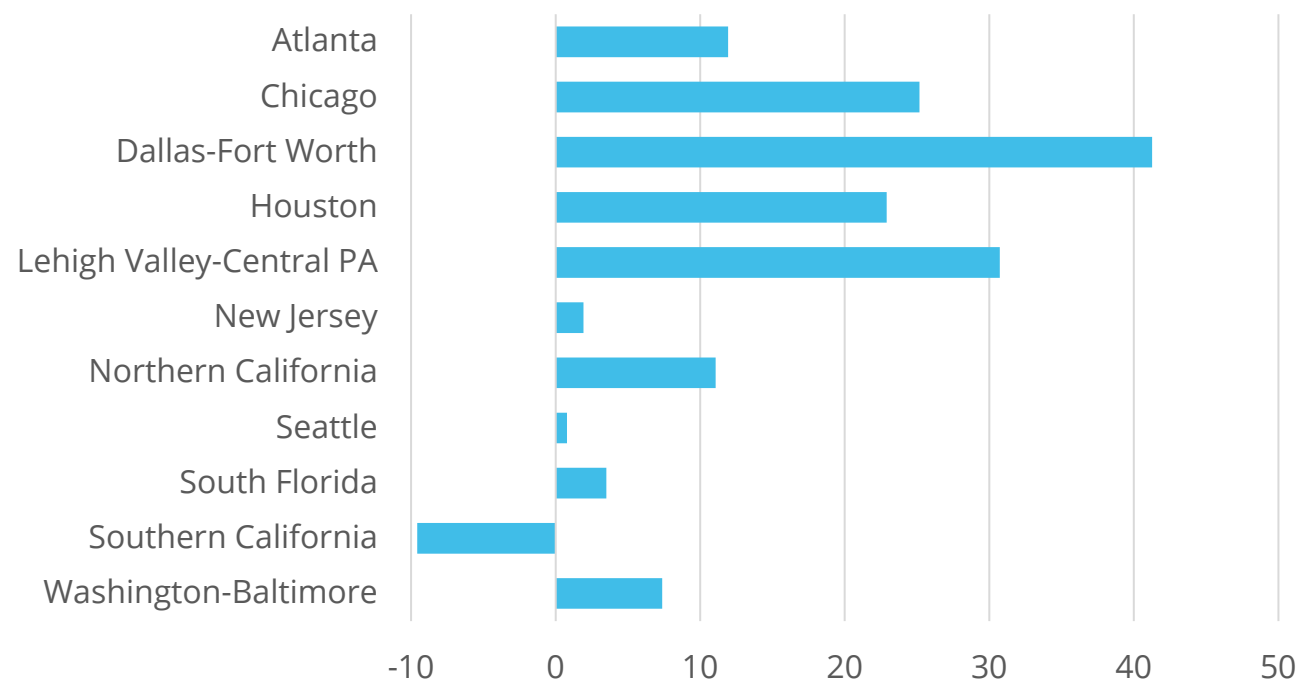
ASKING RENT PSF NNN



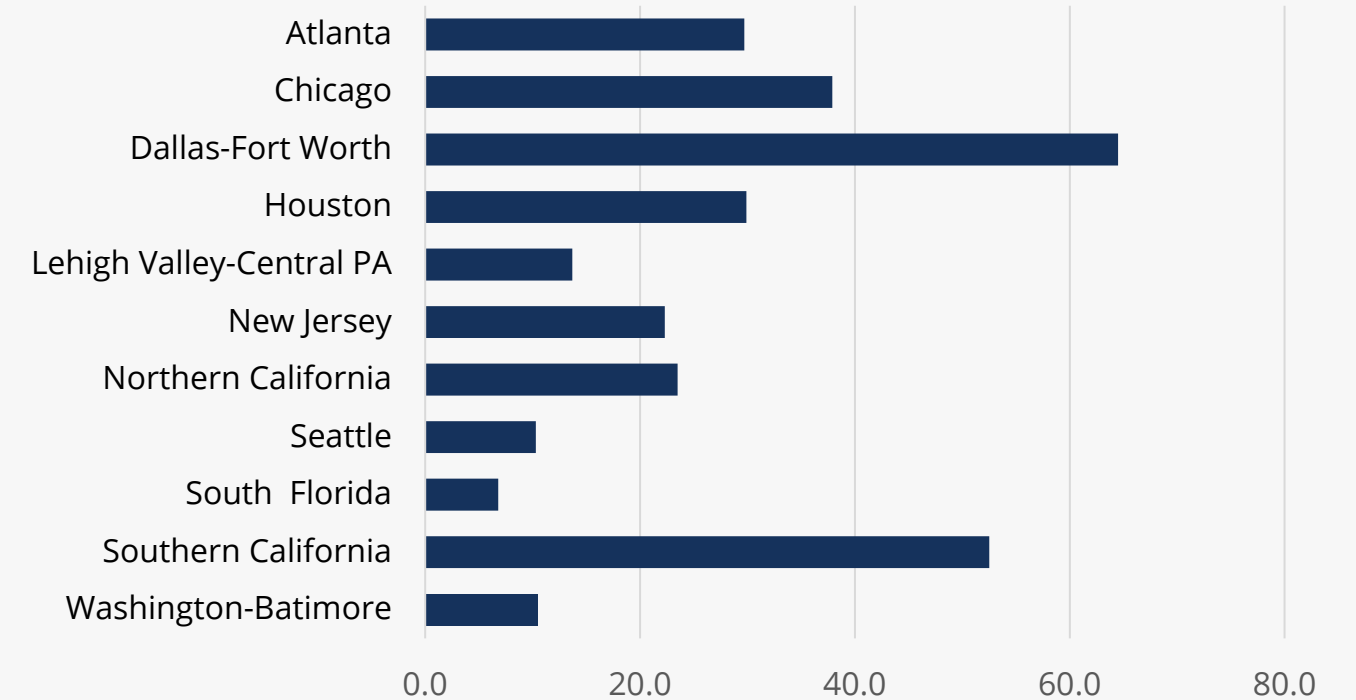
VACANCY RATE



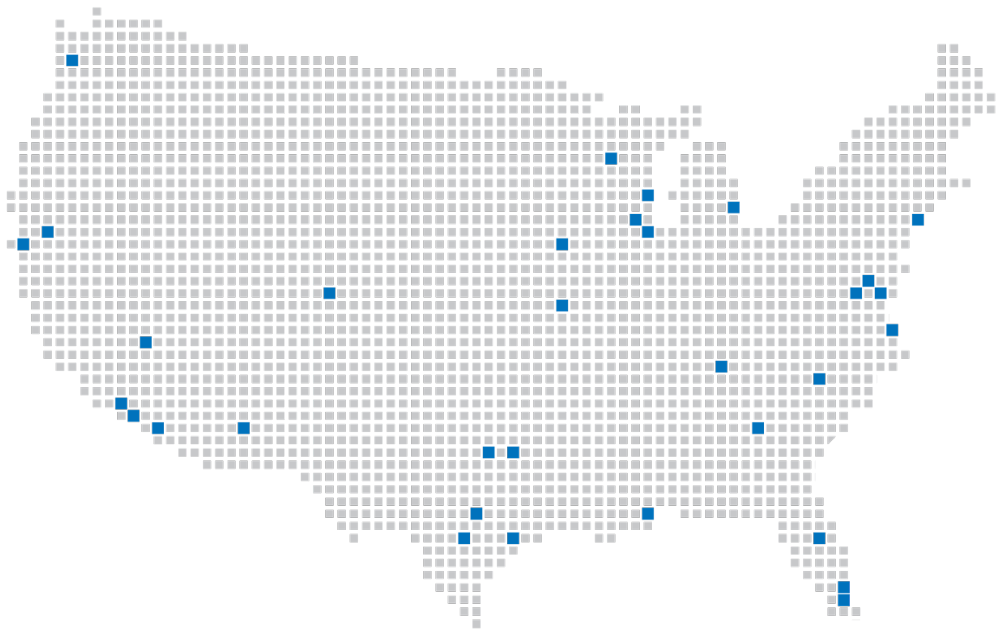
TRAILING 4-QUARTER NET ABSORPTION (MSF)



UNDER CONSTRUCTION (MSF)



TRANSWESTERN LOCATIONS



DEFINITION & METHODOLOGY

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. 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, San Jose/Silicon Valley and Central 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

For further analysis of industrial markets nationwide, view our quarterly [National Industrial Market Overview](#).

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 and [@Transwestern](https://twitter.com/Transwestern).

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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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