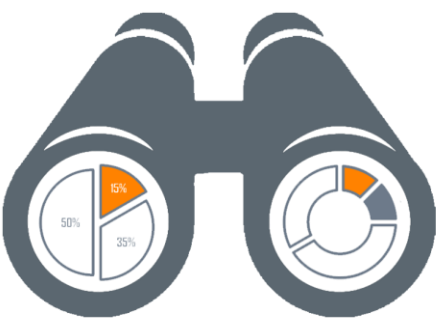
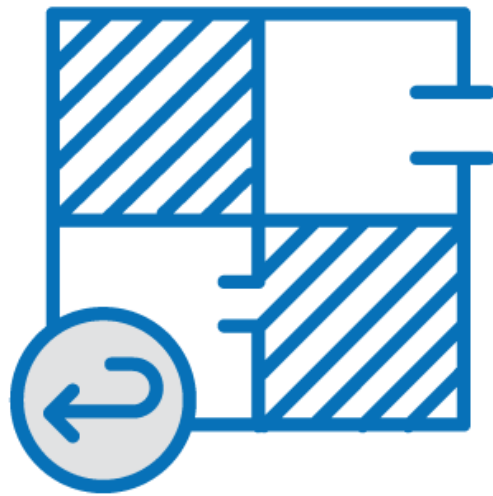


COMMERCIAL REAL ESTATE

# U.S. MARKET | Industrial

Q3 2024

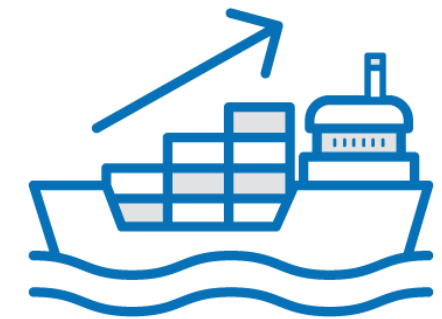
# THE VIEW FROM HERE

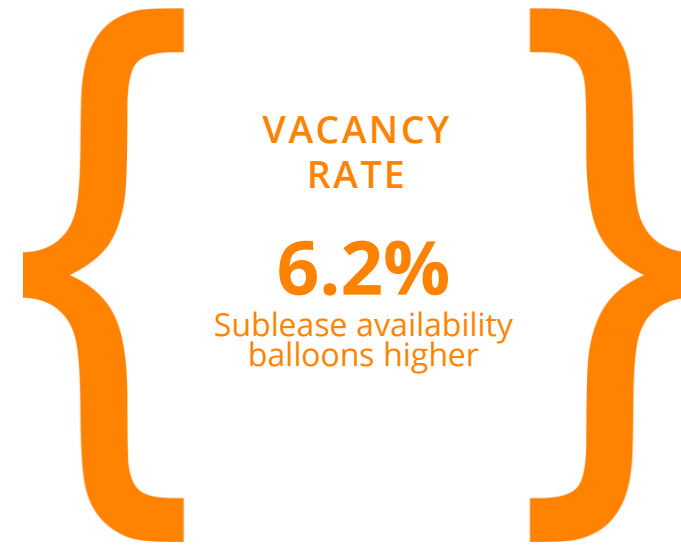
Sublease space soars as logistics firms return excess space



Rents remain at peak levels as flight to quality opportunities are increasingly available for occupiers



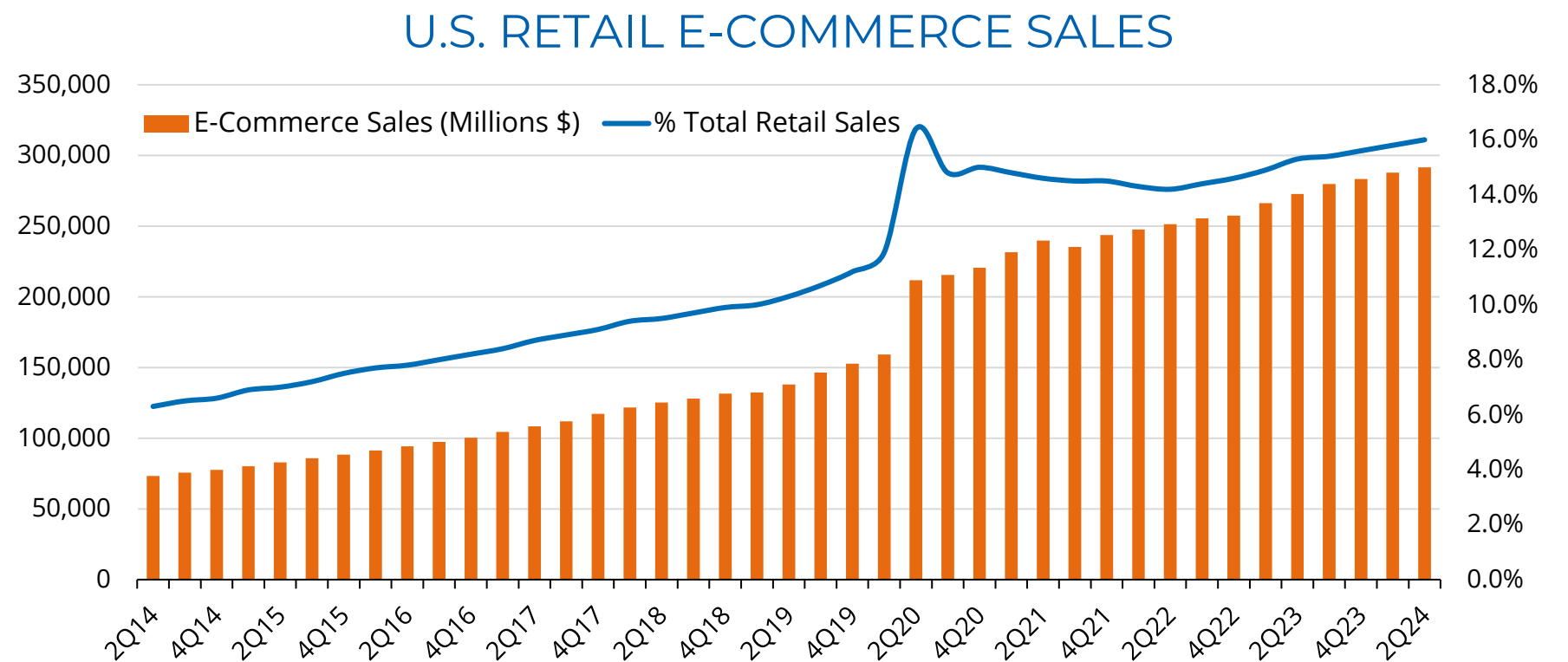
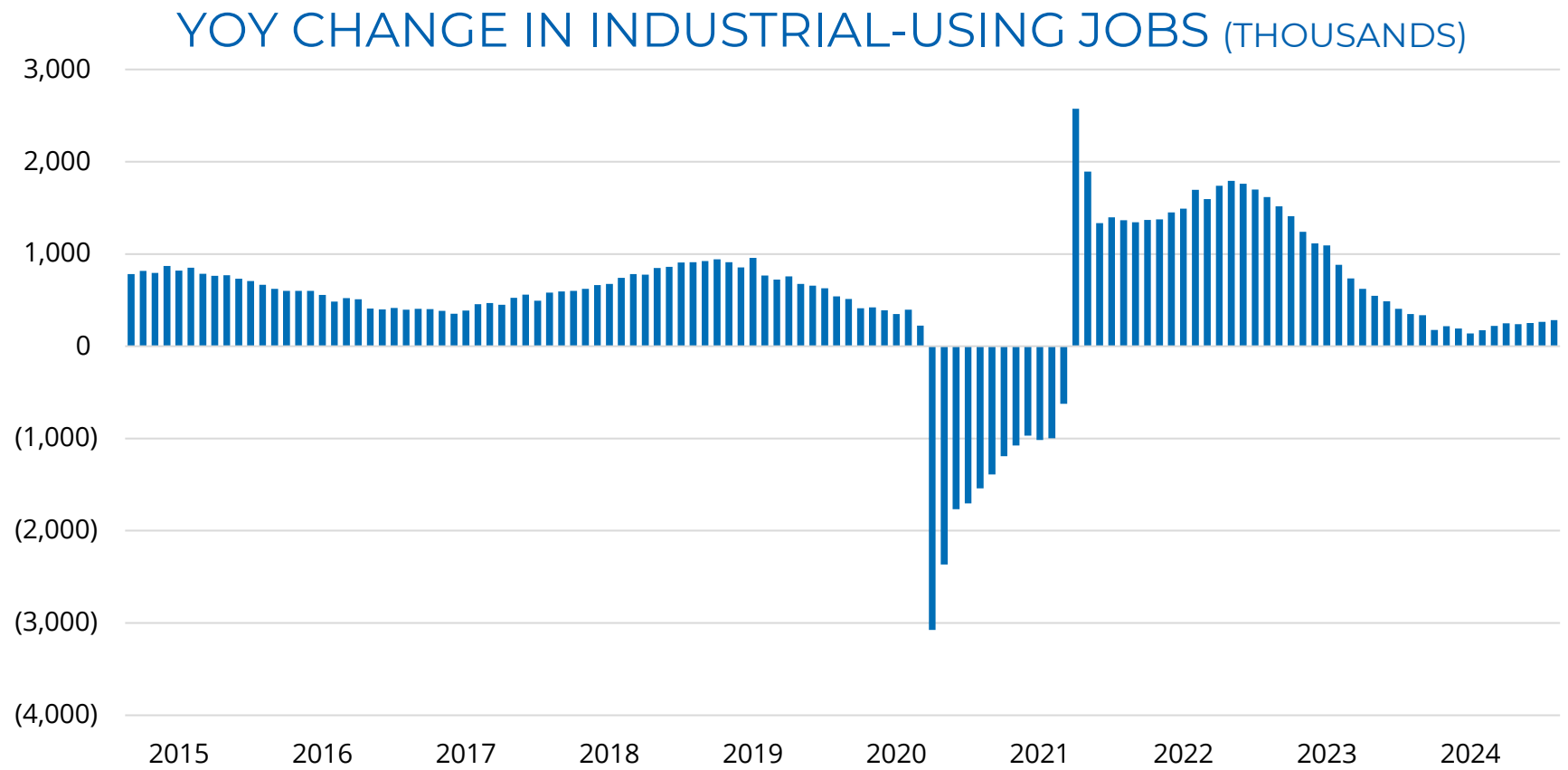
Record import volumes to continue amid potential tariffs, labor strike



## ECONOMIC HIGHLIGHTS

- For the first time since 2020, the Federal Reserve lowered interest rates. The larger-than-anticipated 50 bps cut ended a 14-month period between increases or cuts, the second longest among recent cycles.
- U.S. economy grew 3.0% in Q2 2024, nearly double the rate of Q1 2024. Forecasts for 2024 growth ranged between 2.2% and 2.5%.
- The U.S. unemployment rate moved to its highest level since October 2021, rising to 4.2% as of August 2024, 40 basis points higher than a year ago.
- Boosted by construction employment, jobs supporting the industrial real estate sector continued higher, and the annual growth rate accelerated in consecutive quarters for the first time since Q2 2022.
- Truck transportation labor continued to trend downward, while warehouse and storage recorded job losses after a strong first half of the year.
- The manufacturing sector contracted in Q3 and has failed to record growth in 22 of the past 23 months. Manufacturing payrolls also continued to trend lower.
- While consumers continued to spend, the confidence index experienced its biggest decline in three years.
- Excluding segments that don't typically sell online, e-commerce accounted for 21.7% of sales, the highest total for a Q2, surpassing the previous high set in 2020 during the height of the COVID-19 pandemic.
- Q3 closed with a longshoreman's work stoppage at East and Gulf Coast ports, adding a backlog to an already disrupted supply chain.
- Due to the anticipation of the strike, West Coast ports handled increased cargo during the summer months.

## HISTORICAL

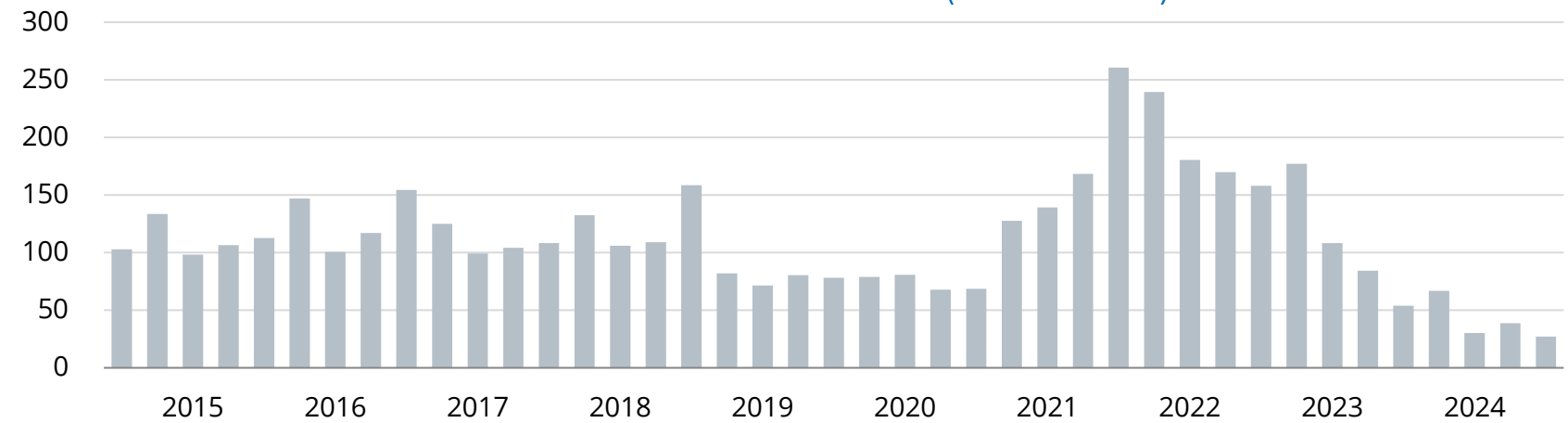


## MARKET HIGHLIGHTS

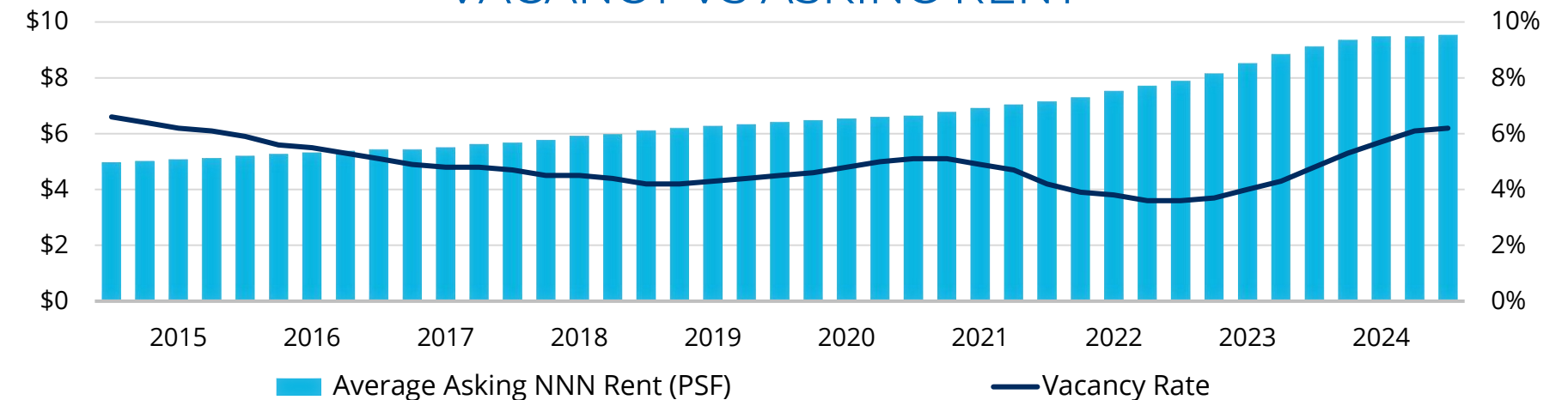
- Market softening slowed as overall vacancy increased by its smallest amount since Q4 2022, largely due to a significant drop in new property deliveries.
- Total occupancy grew for the 59<sup>th</sup> straight quarter, though the amount of space absorbed on a net basis was at its lowest level since Q2 2010.
- 26 of 44 markets recorded positive net absorption during the quarter, slightly down from the previous quarter and when compared to a year ago.
- Over the past 12 months, 73% of markets posted occupancy growth, while four markets absorbed more than 10 MSF over the past 12 months, compared to seven markets when compared YoY.
- The overall vacancy rate increased by 10 basis points to 6.2%, the highest level since Q1 2015.
- The number of sublease offerings continued to rise, accounting for 10.4% of available space, which is 180 bps higher than a year ago.
- Rents are stabilizing; the increase was minimal while climbing higher for the 29th straight quarter.
- YoY rent growth slowed substantially to 4.5%, falling from its peak of 15.6% during the same quarter a year ago.
- New construction was lower for the eighth consecutive quarter, while the amount of product delivered to the market fell below 100 MSF for the first time since Q1 2019.
- With diminishing construction levels, the market appears to be nearing peak vacancy. When coupled with greater investor and tenant confidence resulting from the initial Federal Reserve rate cut, increased occupancy growth is anticipated in 2025.

## HISTORICAL

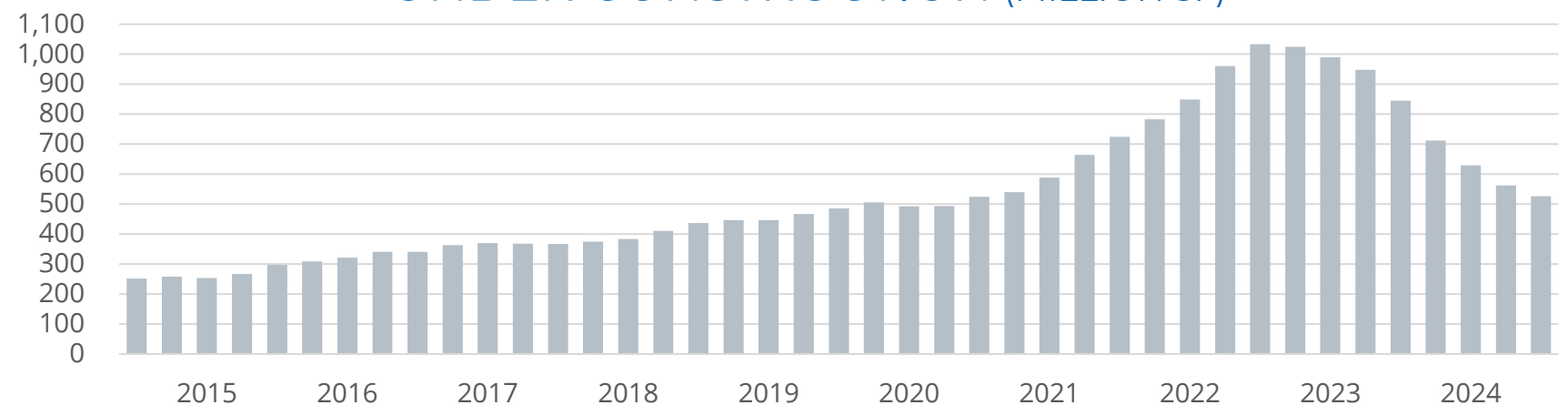
NET ABSORPTION (MILLION SF)



VACANCY VS ASKING RENT

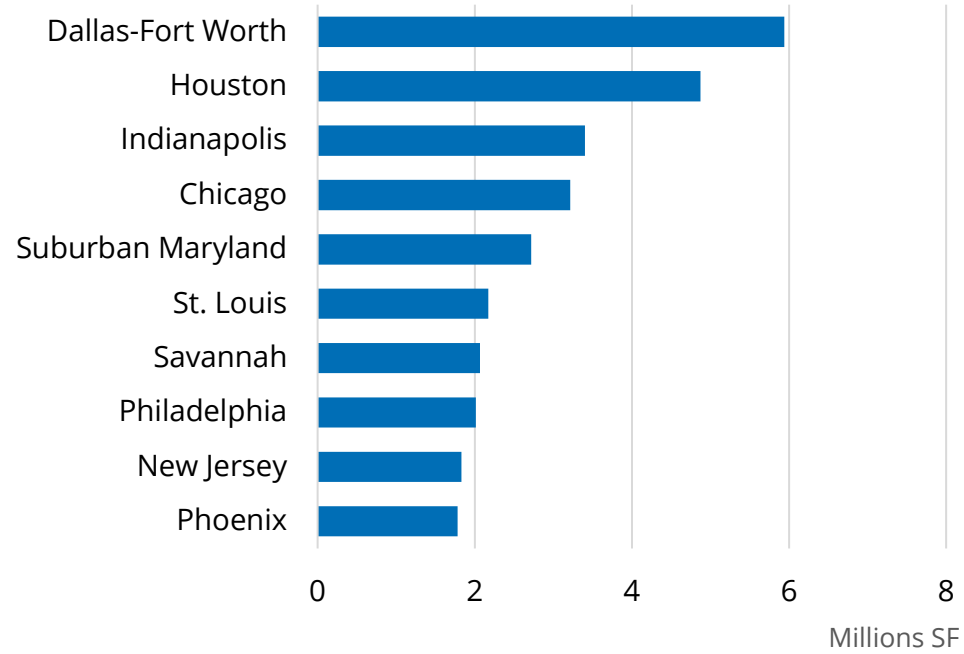


UNDER CONSTRUCTION (MILLION SF)



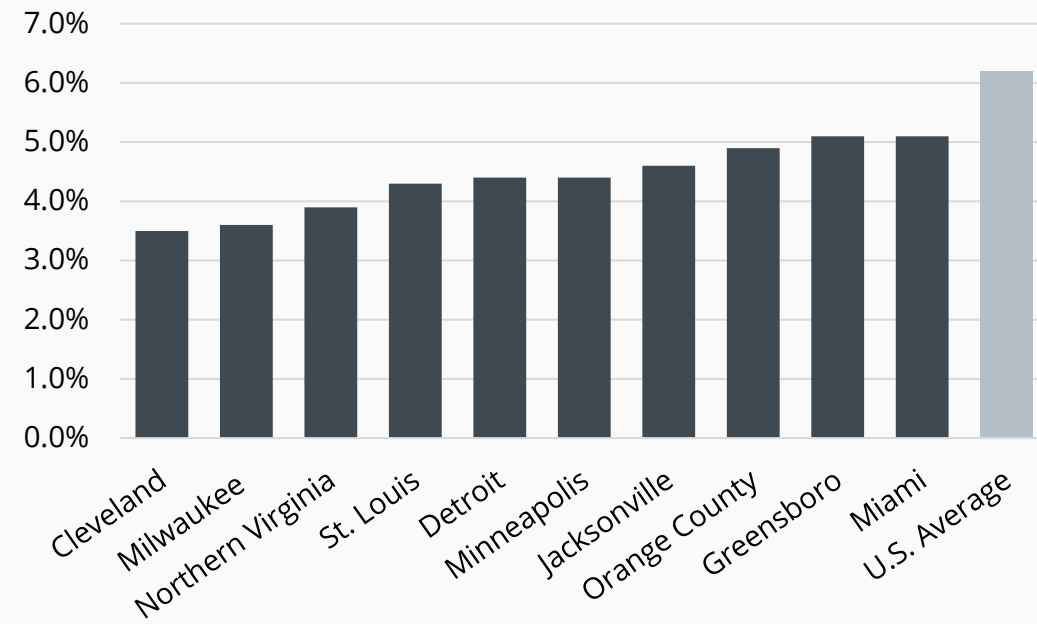
### NET ABSORPTION

Q3 2024 Net Absorption



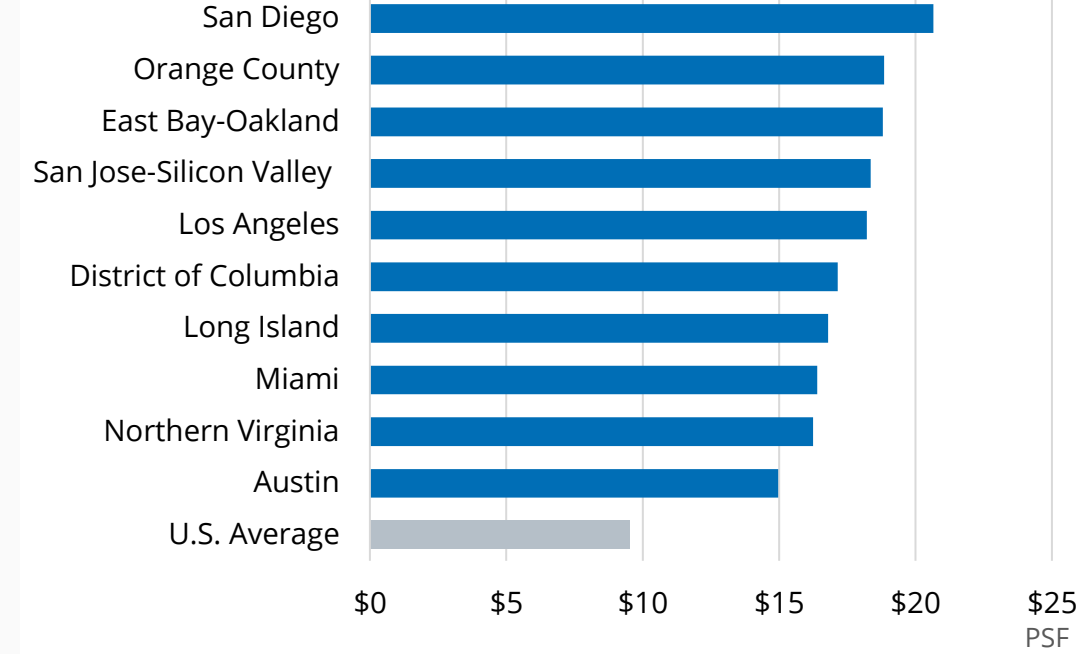
### VACANCY/CONSTRUCTION

Q3 2024 Vacancy Rate

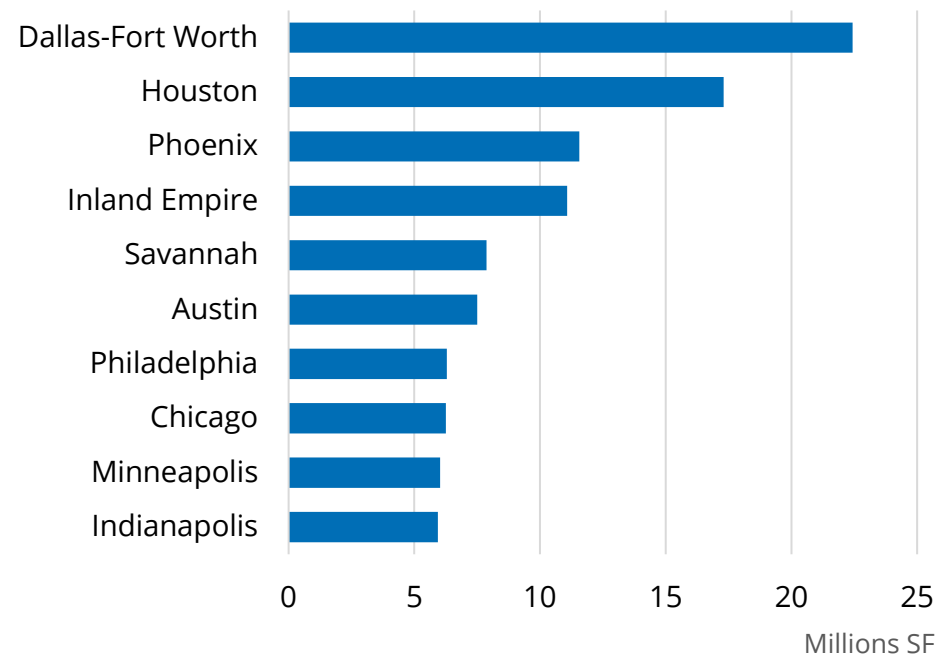


### ASKING RENTS

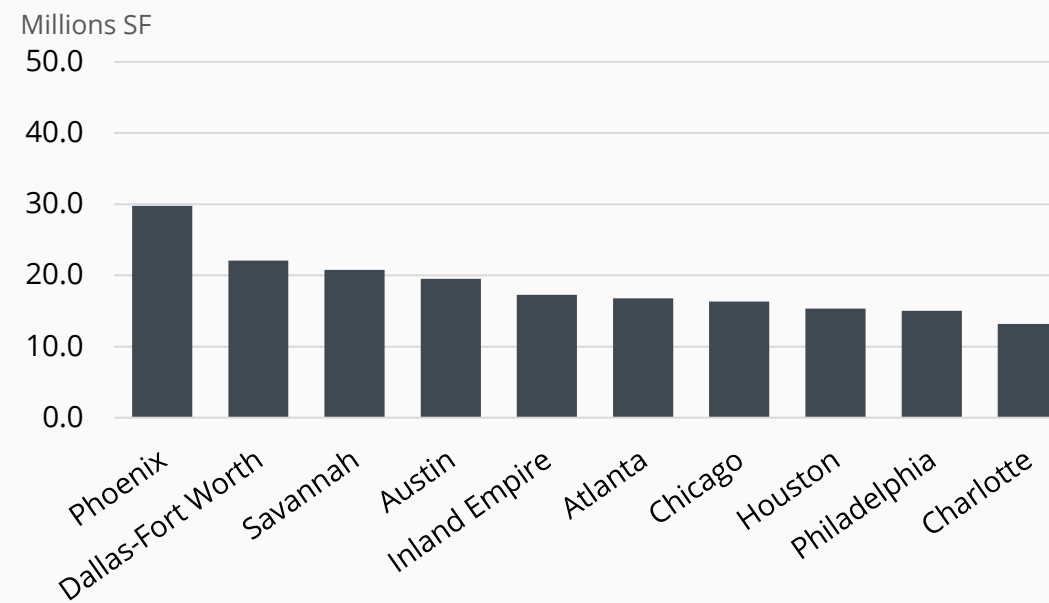
Q3 2024 Asking Rate NNN



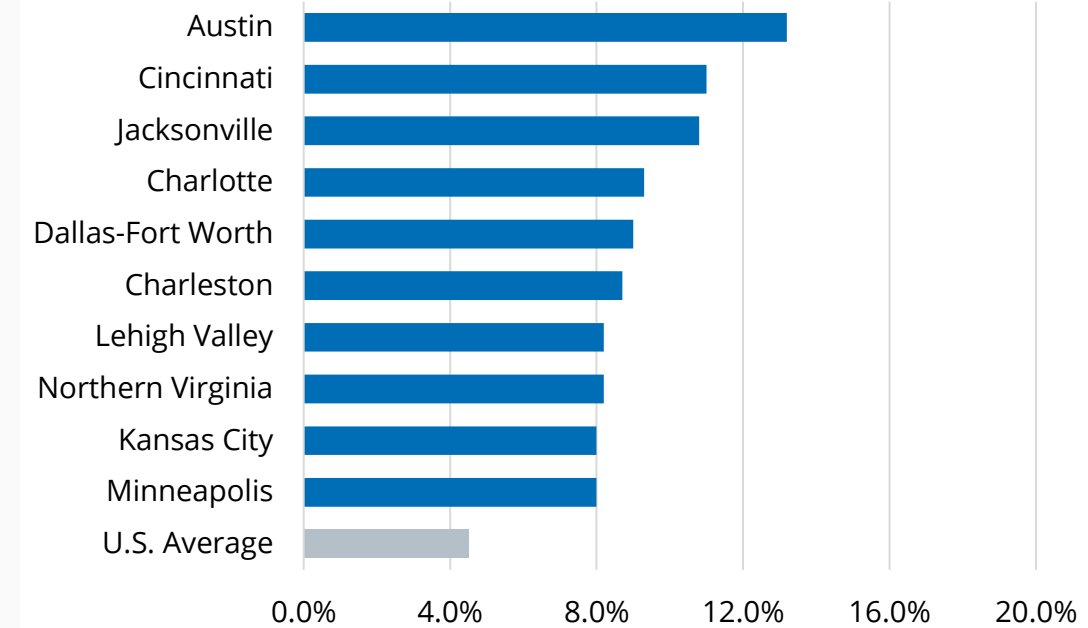
### Trailing 4-Qtr Net Absorption



### Q3 2024 Under Construction

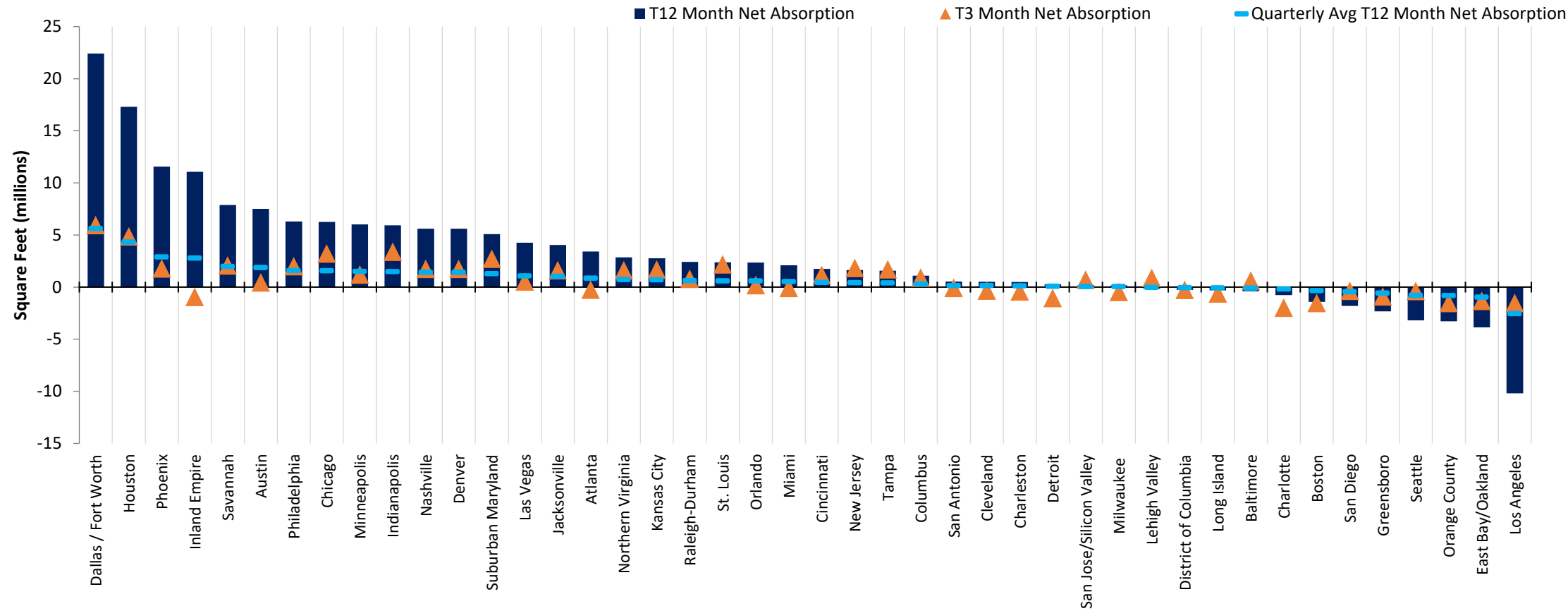


### Year-Over-Year Rent Growth



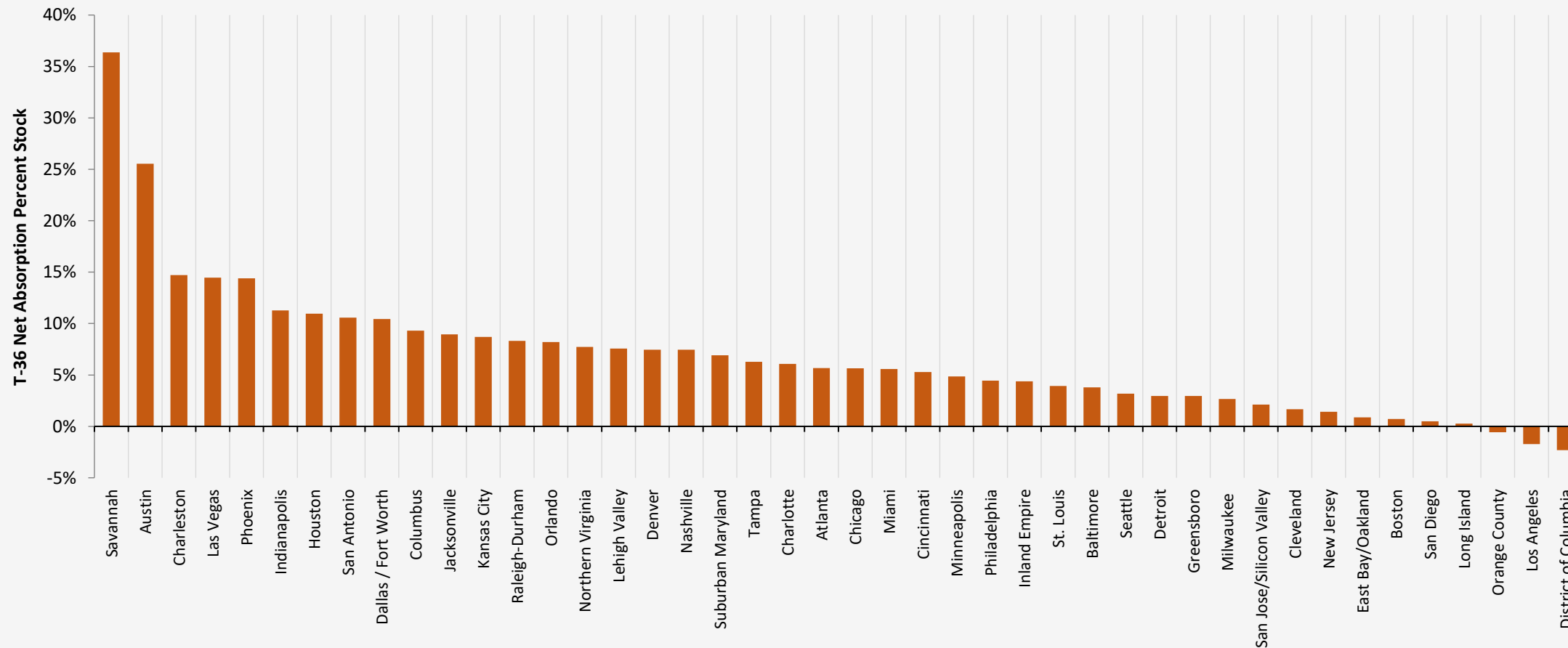
\*Several factors can result in the variability of asking rent and rent growth figures including, but not limited to, the level of new construction and the number of available space with no listed asking rents,

### NET ABSORPTION



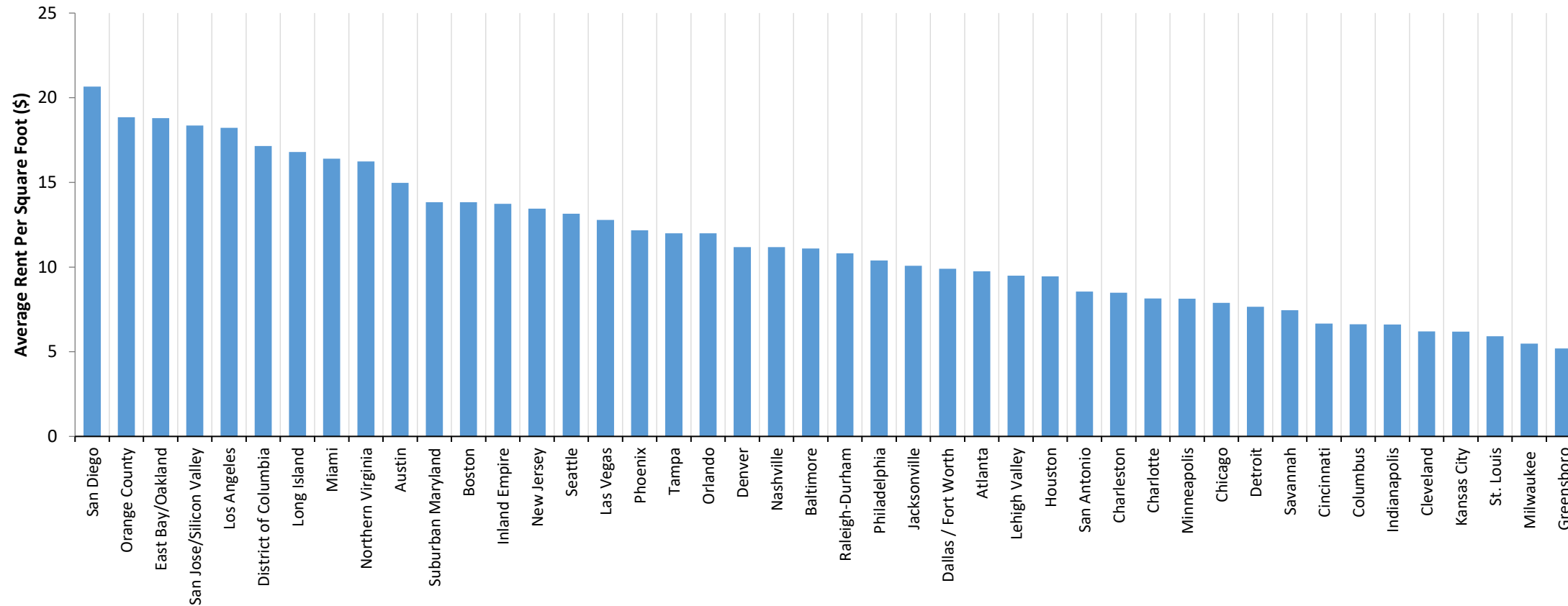
- Positive net absorption was reported in 32 of 44 of markets over the past 12 months, one less than Q2 2024.
- Growth accelerated with the number of markets where quarterly net absorption improved when compared to the quarterly average for the past year increased from 17 to 24.
- Smaller markets are gaining occupancy growth share as 62% of all net absorption over the past 12 months occurred in the top ten markets, compared to 75% the previous quarter.

### MARKET EXPANSION: 3 YEAR NET ABSORPTION % STOCK



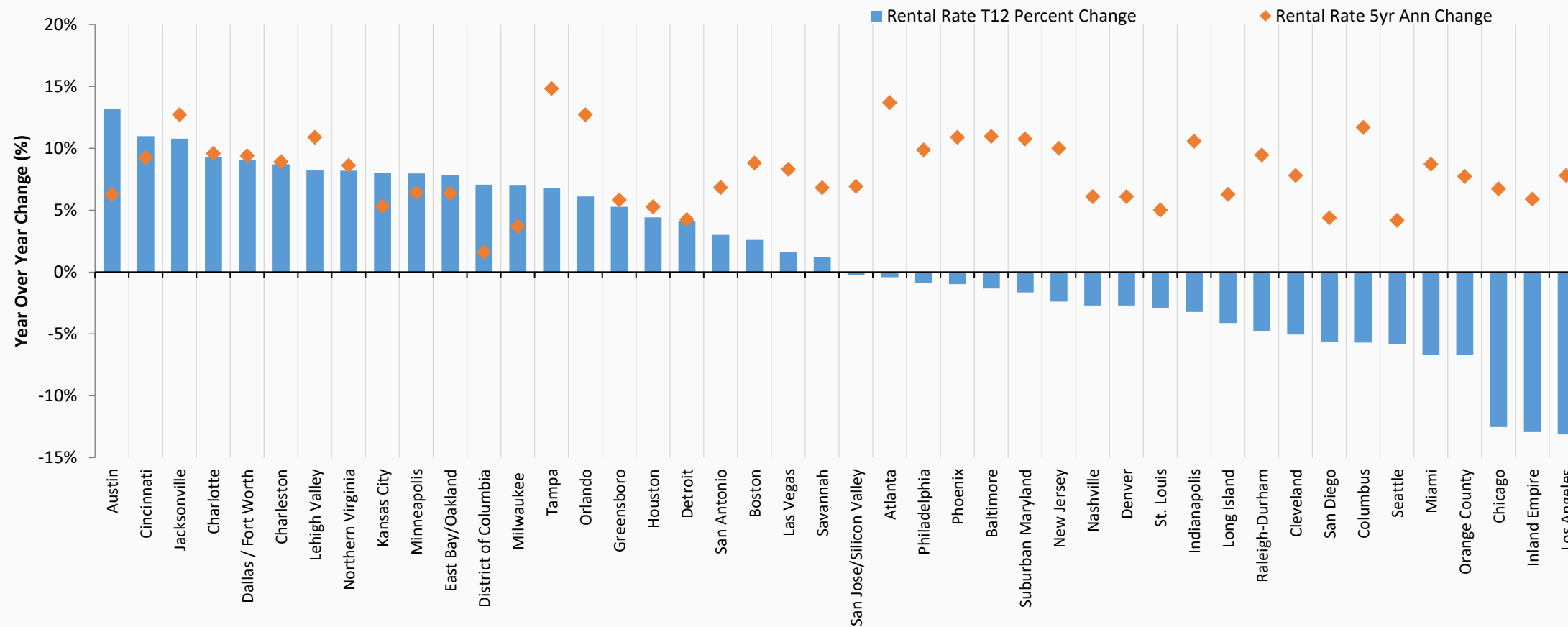
- Here, we consider 3-year net absorption as a percent of stock. A higher percentage indicates that a market is more expansionary.
- Eight of the top 10 markets for expansion were in the Sun Belt, with the remaining two in the Midwest.

### RENTAL RATES (NNN)



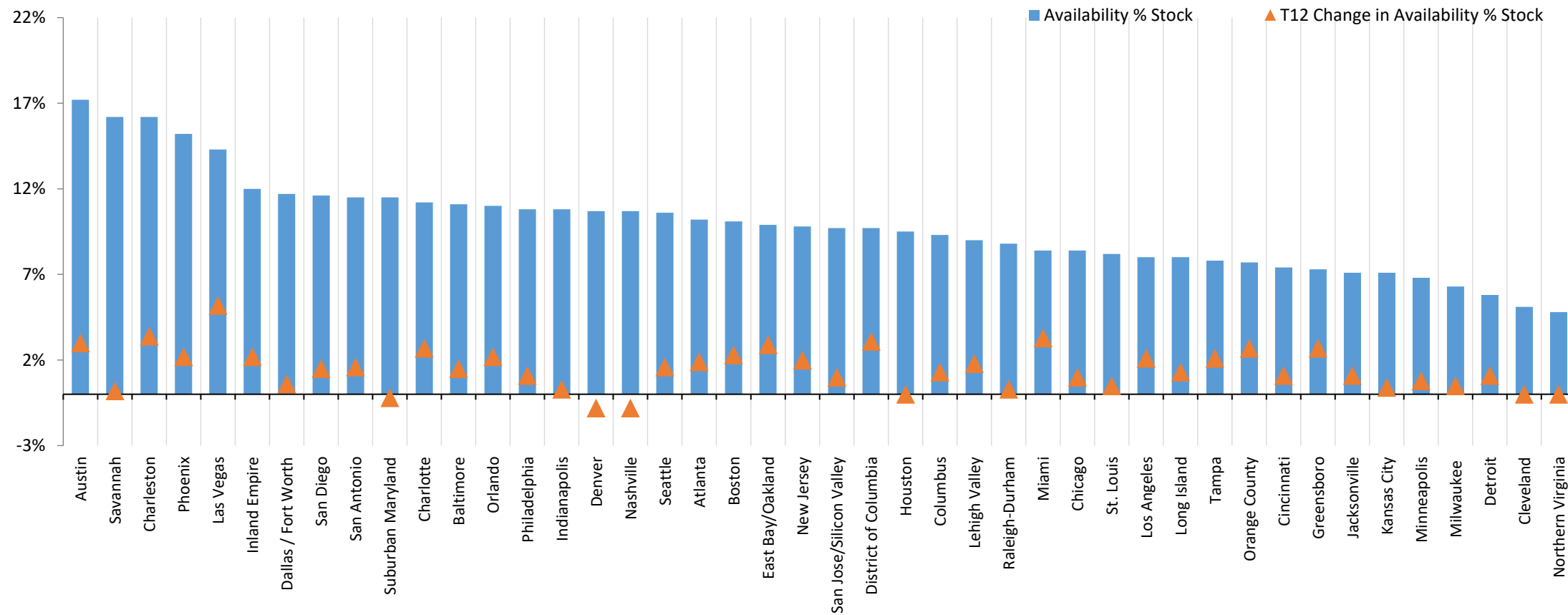
- The markets with the highest rental rates are predominantly located in the largest shipping port regions on the west and east coasts.
- Of the nine coastal markets with the highest asking rates, six experienced rent decreases over the past 12 months.

### RENTAL RATE CHANGE



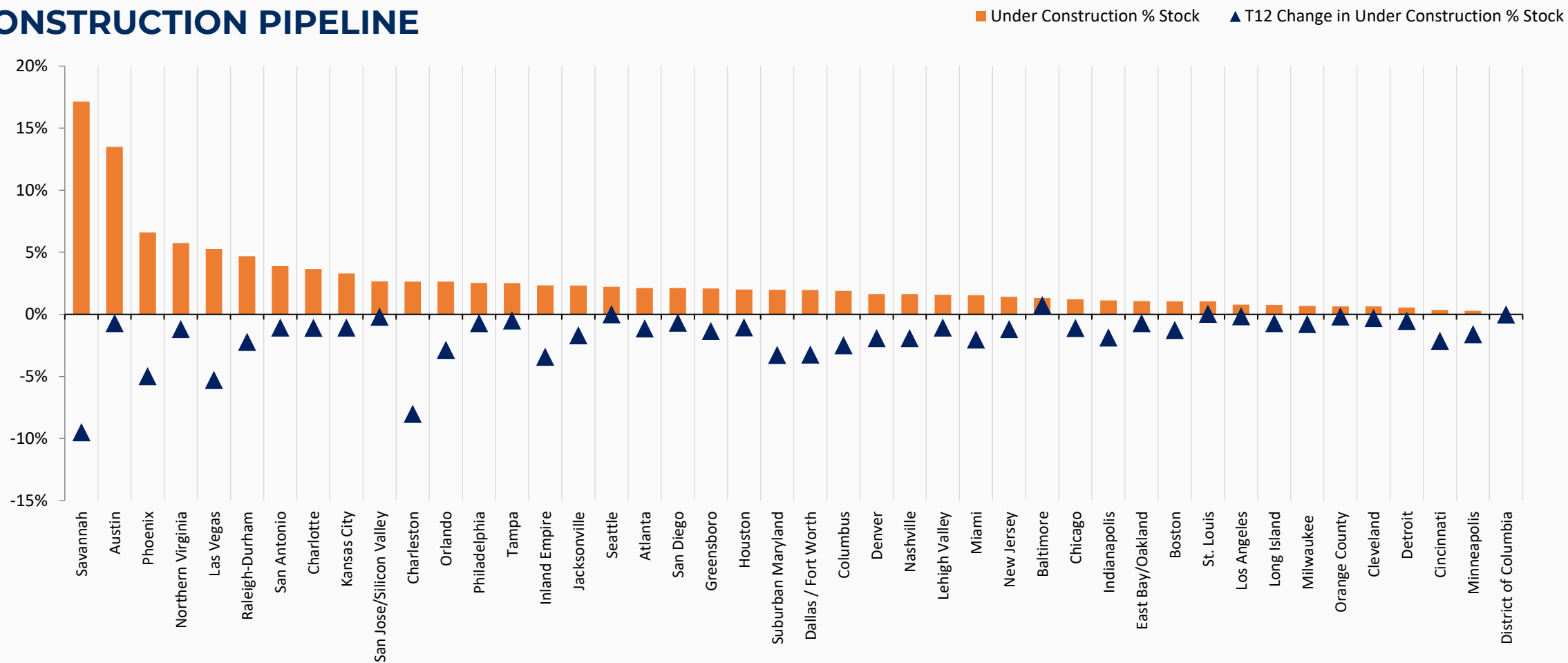
- Only three markets experienced rent growth over 10% during the past year, down from 11 the previous quarter.
- Alternatively, 50% of markets recorded a decline in rent over the past year, compared to 25% the previous quarter, as the pull back in demand has proliferated over an extended period.

### AVAILABILITY



- Four of the top five markets with the highest availability also claim four of the top five construction percentage levels including Austin, Savannah, Phoenix and Las Vegas.
- Many markets loosened over the last year as demand eased, with 90% experiencing an increase in availability.
- Markets experiencing the largest increases in availability include Las Vegas, Charleston, Miami, District of Columbia, and Austin, all of which rose at least 300 basis points.

### CONSTRUCTION PIPELINE



- Under construction stock is indicative of future expansion.
- Developers continue to follow population migration to the south, which accounts for 10 of the top 15 highest growth markets as it pertains to under-construction stock.
- Depressed demand and a challenging capital markets environment has caused construction stock to either slow or remain unchanged in all markets except for Baltimore.

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	789,001,999	7.7%	7.0%	(249,183)	3,420,822	\$9.75	-0.4%	16,768,869
Austin	144,522,697	10.2%	9.5%	454,863	7,504,890	\$14.97	13.2%	19,494,166
Baltimore	236,566,181	7.7%	7.0%	617,387	(390,273)	\$11.10	-1.3%	3,108,873
Boston	344,647,256	7.3%	6.6%	(1,522,458)	(1,406,734)	\$13.83	2.6%	3,647,353
Charleston	102,660,467	14.4%	12.2%	(417,672)	479,624	\$8.49	8.7%	2,713,825
Charlotte	361,338,589	8.8%	8.2%	(1,969,578)	(765,016)	\$8.14	9.3%	13,171,043
Chicago	1,354,776,910	5.4%	4.9%	3,214,552	6,256,268	\$7.89	-12.5%	16,320,206
Cincinnati	345,665,697	5.8%	5.6%	1,153,541	1,739,986	\$6.67	11.0%	1,200,560
Cleveland	333,207,594	3.5%	3.5%	(323,642)	519,307	\$6.20	-5.1%	2,112,894
Columbus	358,887,583	7.9%	7.0%	897,216	1,095,192	\$6.62	-5.7%	6,769,470
Dallas-Fort Worth	1,123,652,359	9.8%	8.9%	5,939,822	22,427,724	\$9.90	9.0%	22,083,055
Denver	267,280,164	7.9%	7.4%	1,740,863	5,602,928	\$11.18	-2.7%	4,391,215
Detroit	591,463,280	4.4%	3.9%	(1,056,435)	274,167	\$7.66	4.1%	3,306,887
District of Columbia	8,759,937	8.6%	7.7%	(265,071)	(267,276)	\$17.15	7.1%	0
East Bay-Oakland	255,239,530	7.7%	6.1%	(1,325,084)	(3,858,907)	\$18.80	7.9%	2,723,600
Greensboro	164,903,445	5.1%	4.8%	(903,603)	(2,318,191)	\$5.19	5.3%	3,452,157
Houston	764,837,540	7.1%	6.8%	4,872,913	17,299,362	\$9.45	4.4%	15,317,551
Indianapolis	405,332,059	8.9%	8.1%	3,401,891	5,932,605	\$6.61	-3.2%	4,571,695
Inland Empire	742,014,729	8.1%	6.4%	(940,728)	11,073,532	\$13.74	-12.9%	17,276,536
Jacksonville	152,583,186	4.6%	4.3%	1,627,425	4,045,948	\$10.08	10.8%	3,530,542
Kansas City	335,754,037	5.5%	4.8%	1,689,220	2,757,682	\$6.19	8.0%	11,051,329
Las Vegas	171,328,607	8.8%	8.0%	541,865	4,259,353	\$12.78	1.6%	9,045,118

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	163,330,871	6.5%	6.2%	878,120	(164,877)	\$9.49	8.2%	2,554,638
Long Island	158,469,009	5.8%	5.4%	(624,131)	(316,109)	\$16.80	-4.1%	1,221,472
Los Angeles	935,049,756	5.7%	4.9%	(1,519,091)	(10,182,607)	\$18.22	-13.1%	7,285,646
Miami	253,459,942	5.1%	4.7%	(72,094)	2,099,671	\$16.40	-6.7%	3,900,856
Milwaukee	250,817,197	3.6%	3.4%	(469,560)	157,527	\$5.48	7.0%	1,676,520
Minneapolis	410,246,626	4.4%	4.0%	1,194,288	6,021,878	\$8.13	8.0%	1,187,923
Nashville	267,297,661	7.9%	7.4%	1,740,863	5,602,928	\$11.18	-2.7%	4,391,215
New Jersey	797,682,678	6.7%	6.1%	1,829,436	1,637,243	\$13.45	-2.4%	11,262,424
Northern Virginia	128,408,200	3.9%	3.6%	1,620,226	2,843,037	\$16.24	8.2%	7,358,939
Orange County	252,825,270	4.9%	4.2%	(1,526,075)	(3,291,108)	\$18.85	-6.7%	1,621,999
Orlando	189,679,718	7.2%	6.5%	181,647	2,357,324	\$12.00	6.1%	5,008,413
Philadelphia	591,703,219	7.8%	7.6%	2,013,349	6,299,540	\$10.39	-0.9%	14,995,994
Phoenix	451,744,620	11.9%	10.9%	1,780,696	11,557,647	\$12.17	-1.0%	29,750,167
Raleigh-Durham	147,562,352	6.9%	6.5%	785,519	2,421,722	\$10.81	-4.8%	6,920,167
San Antonio	162,092,864	9.1%	8.8%	(76,516)	523,567	\$8.56	3.0%	6,308,856
San Diego	189,058,099	7.9%	6.6%	(358,819)	(1,810,009)	\$20.66	-5.7%	4,005,311
San Jose-Silicon Valley	186,322,402	8.0%	7.1%	714,442	196,732	\$18.36	-0.2%	4,960,214
Savannah	121,123,361	14.5%	12.5%	2,067,607	7,877,347	\$7.45	1.2%	20,775,282
Seattle	334,068,581	8.2%	7.1%	(378,215)	(3,184,904)	\$13.15	-5.8%	7,427,675
St. Louis	320,682,206	4.3%	3.7%	2,172,862	2,372,413	\$5.91	-3.0%	3,342,608
Suburban Maryland	145,951,219	9.0%	8.4%	2,718,121	5,086,990	\$13.83	-1.6%	2,876,788
Tampa	195,293,962	6.0%	5.8%	1,713,805	1,572,861	\$12.00	6.8%	4,921,296



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## ABOUT THE TRANSWESTERN COMPANIES

Four dynamic, integrated companies make up the Transwestern enterprise, giving us the perspective to think broadly, deeply and creatively about commercial real estate. Clients and investors rely on us for expertise that spans institutional and opportunistic investment, development, hospitality, and brokerage and asset services. Our award-winning, collaborative culture empowers team members with resources and independence to work across boundaries in pursuit of innovative solutions, reinforcing a reputation for service excellence that translates to measurable results. Through offices nationwide and alliance partners around the globe, we positively impact the built environment and our communities while fostering a work climate that champions career vitality for all. Learn more at [transwestern.com](https://transwestern.com) and [@Transwestern](https://www.instagram.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 and can be skewed, in some cases, due to factors including, but not limited to, the level of new construction and the amount of available space with no listed asking rents.