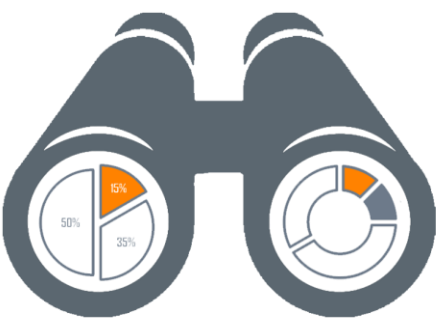


COMMERCIAL REAL ESTATE

# U.S. MARKET | Industrial

Q4 2024

# THE VIEW FROM HERE



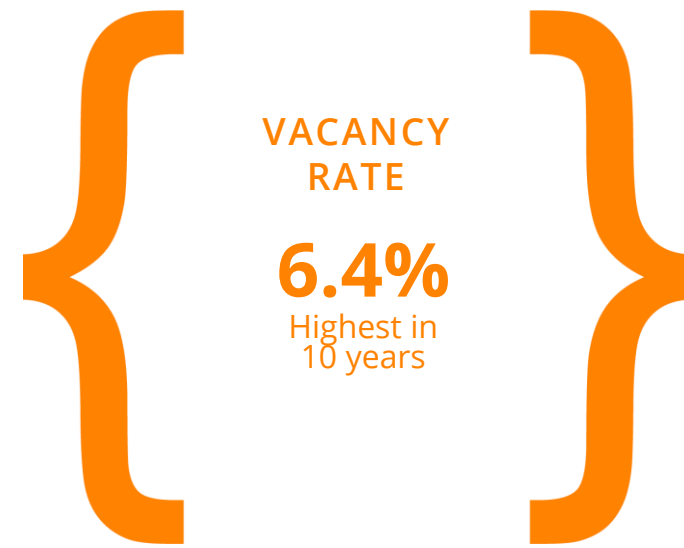

Activity to pick up in core gateway markets as significant lease rollover is approaching.



Tariffs, speed of delivery will accelerate reshoring movement.



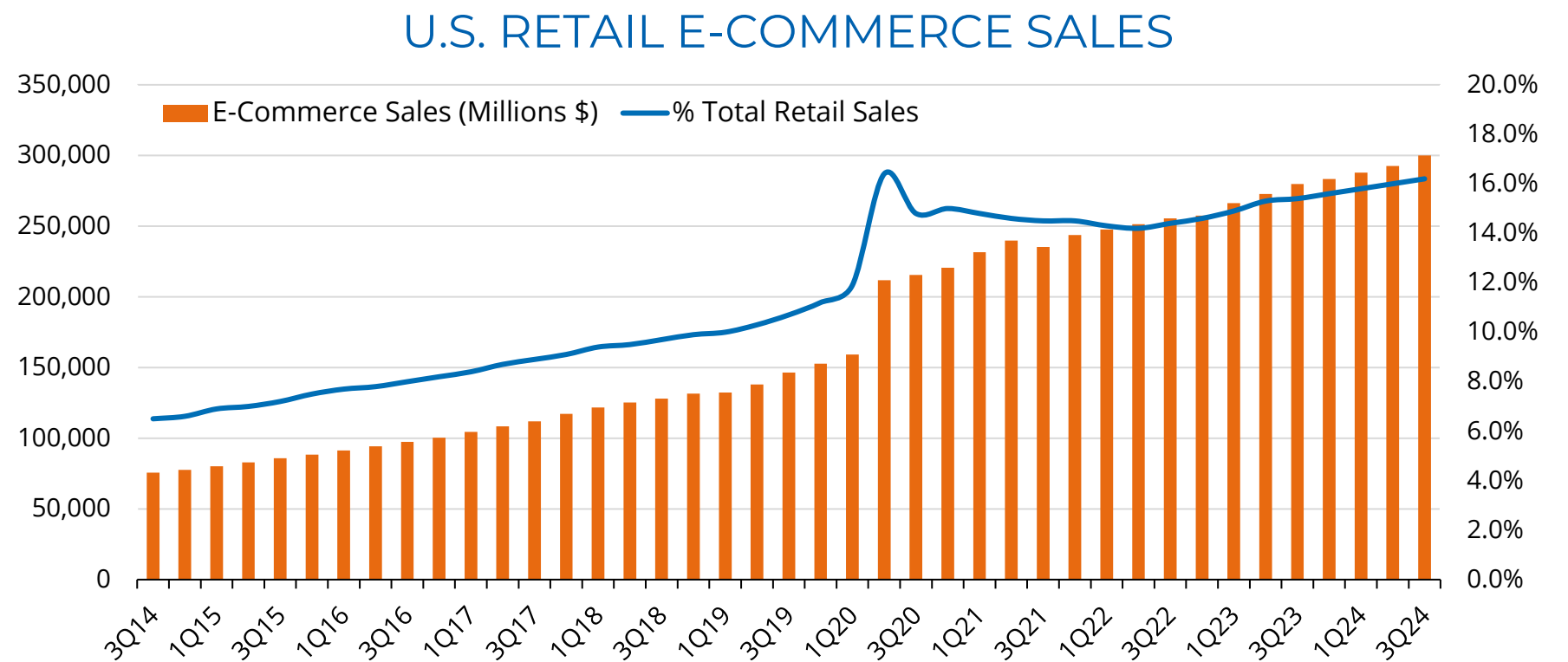
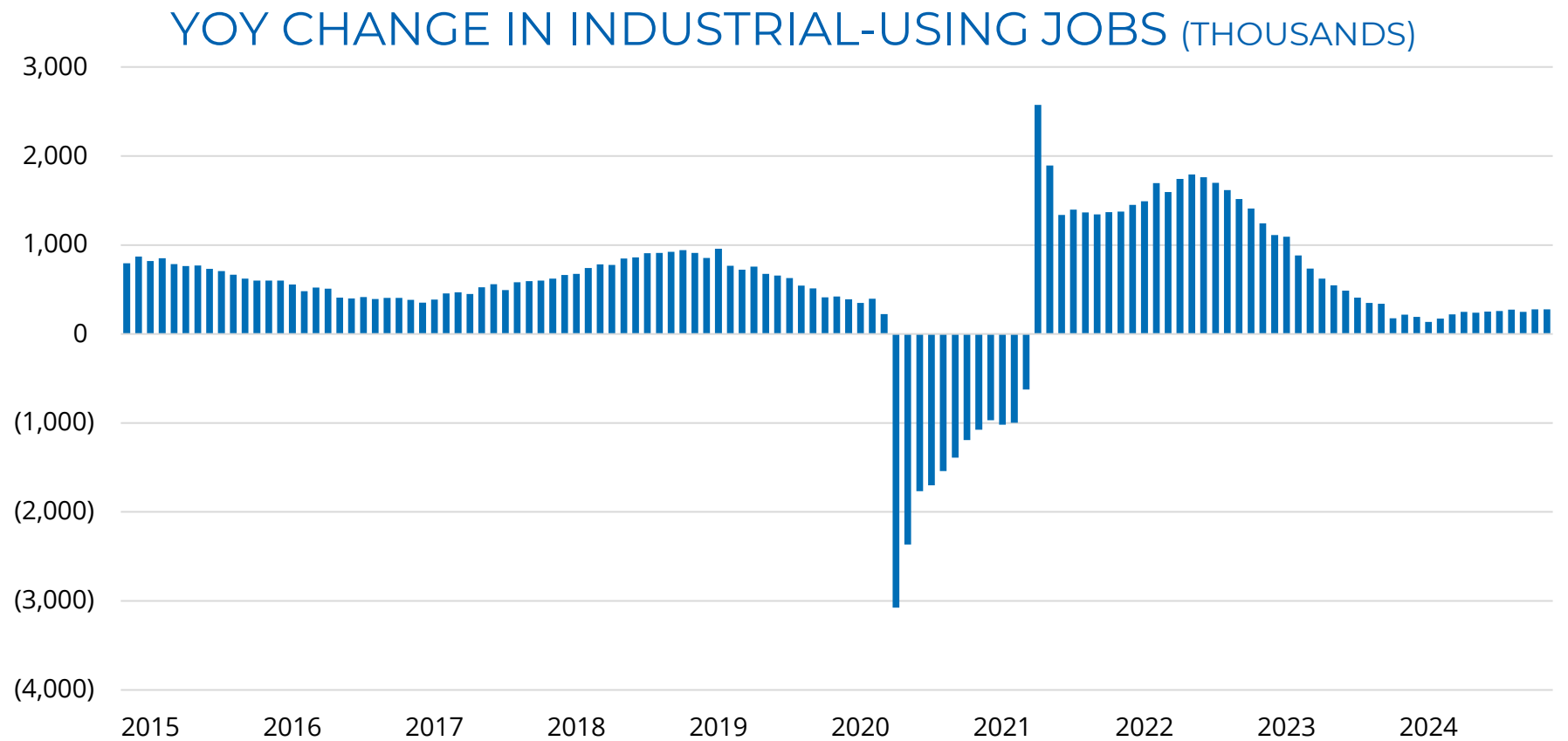
Warenhousers to keep inventory levels high as consumers shift to goods over services.



## ECONOMIC HIGHLIGHTS

- After cutting by 50 bps in the final month of Q3, the Federal Reserve lowered interest by 25 bps in both November and December.
- In its initial reading, U.S. GDP grew 2.3% in Q4 2024, lower than anticipated due to decline in inventories, and down from 3.1% in Q3. Forecasts for 2025 growth ranged between 1.9% and 2.4%.
- The U.S. unemployment rate was unchanged during the quarter at 4.1% closing the year 30 basis points higher than year-end 2023.
- Job growth supporting the industrial real estate sector continued to moderate.
- Trucking employment stabilized towards the end of the year after a period of losses.
- Despite a challenging interest rate environment, construction job growth has remained resilient. However, once the construction that is already in the pipeline is delivered, we could see a reduction in affiliated jobs.
- Manufacturing employment decreased in 2024; the sector has contracted for 26 consecutive months through December, according to the Institute of Supply Management’s Purchasing Managers Index.
- Players in the transportation and warehousing industry have been more confident, as the Logistics Managers Index has improved during the past 18 months.
- While consumer confidence retreated, shoppers spent more than anticipated during the holiday season, with e-commerce continuing to account for a larger share.
- Port volumes were higher in 2024 as inventories were frontloaded. While the ILA strike was averted, the threat of tariffs remained.

## HISTORICAL

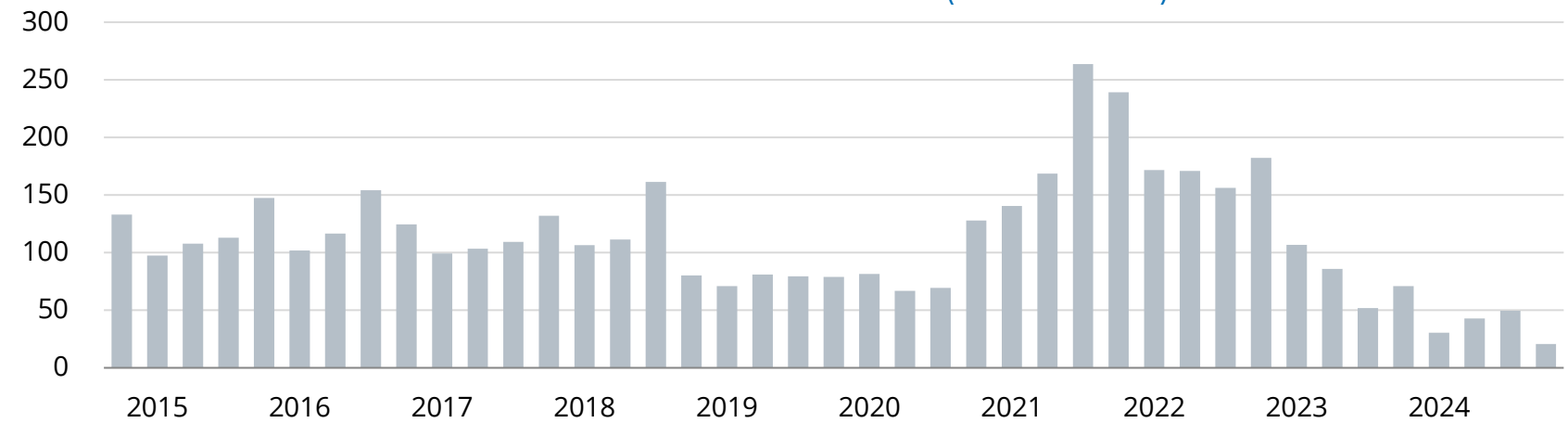


## MARKET HIGHLIGHTS

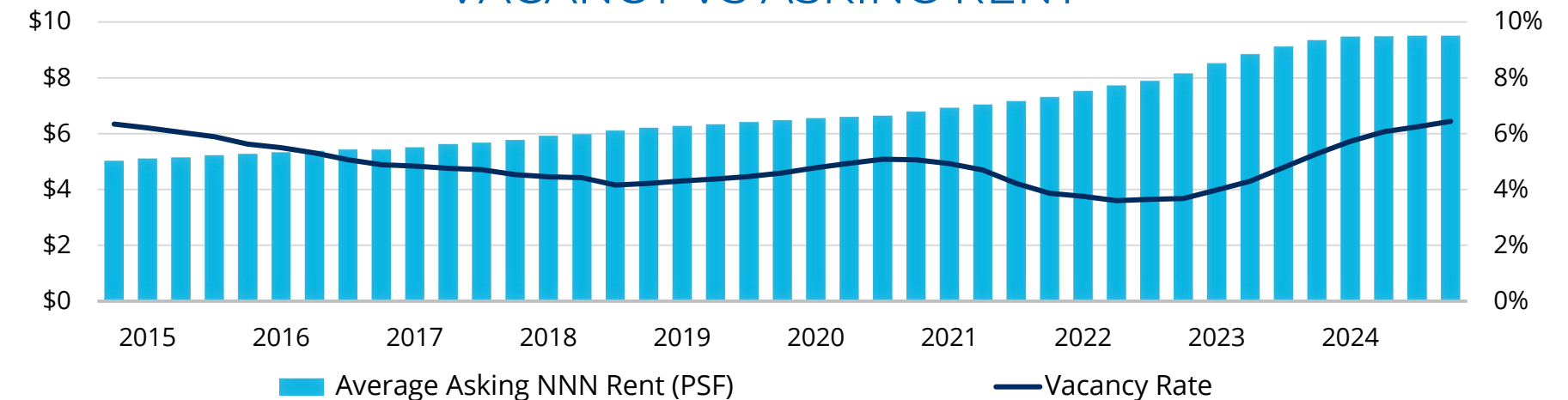
- Despite a consistent slowdown in leasing activity throughout much of the U.S., 2024 marked the 15th straight year of expansion.
- Occupancy growth continued for the 60<sup>th</sup> consecutive quarter, though was at its lowest level since Q2 2010.
- 27 of 44 markets recorded positive net absorption during the quarter, slightly up from the previous quarter but down from 36 markets when compared to a year ago.
- Over the past 12 months, 64% of markets posted occupancy growth, while five markets absorbed more than 10 MSF over during 2024, the same amount as 2023.
- The overall vacancy rate increased by 20 basis points to 6.4%, the highest level since Q4 2013.
- The number of sublease offerings continued to rise, accounting for 10.7% of available space, which is 150 bps higher than a year ago.
- Rents were higher for the 32 straight quarter, however the total increase during the final three quarters of the year was just four cents.
- YoY rent growth slowed substantially to 1.7%, well below 2023 when average rents grew by 14.7%.
- Despite lower construction totals, Q4 2024 marked the 10 consecutive quarter when more product was delivered to the market than was absorbed, following the opposite trend which lasted seven quarters.
- Interest rates have contributed to declining construction, but that could change as we are getting back to a more normalized environment. For now, markets are adjusting, and construction is anticipated to fall further short-term.

## HISTORICAL

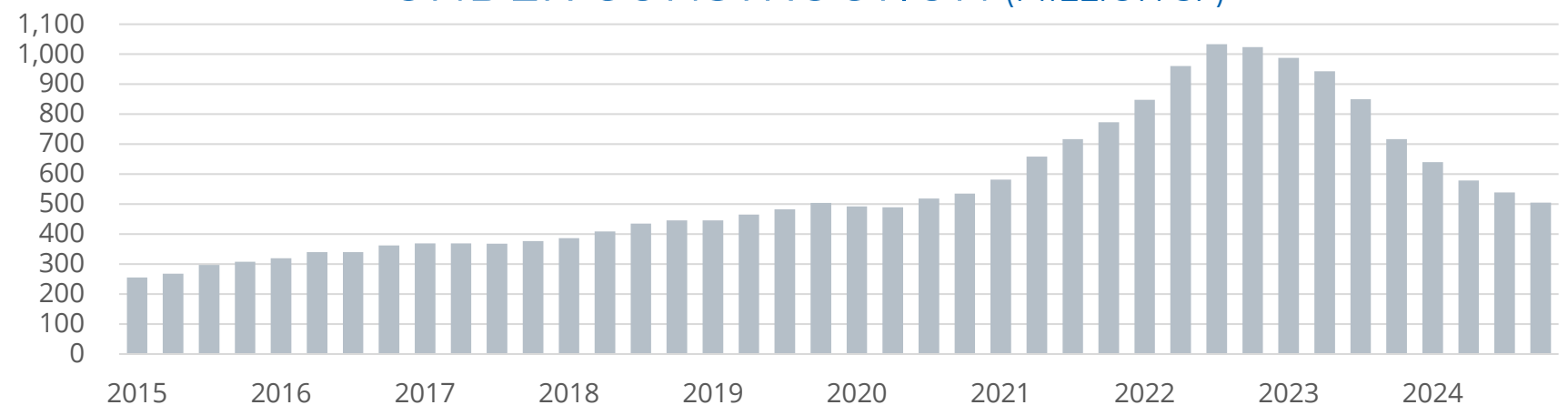
NET ABSORPTION (MILLION SF)



VACANCY VS ASKING RENT

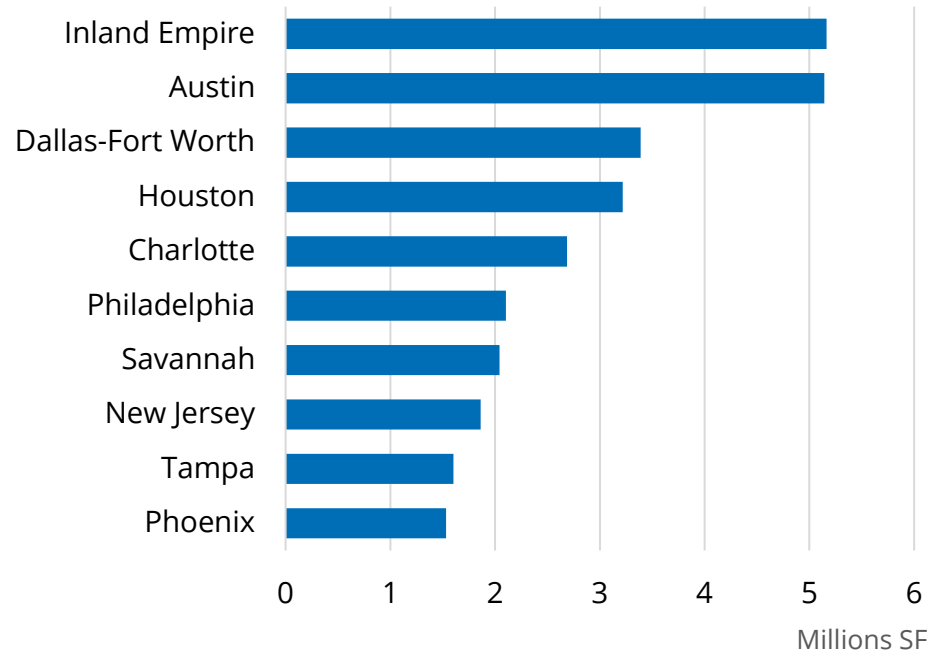


UNDER CONSTRUCTION (MILLION SF)



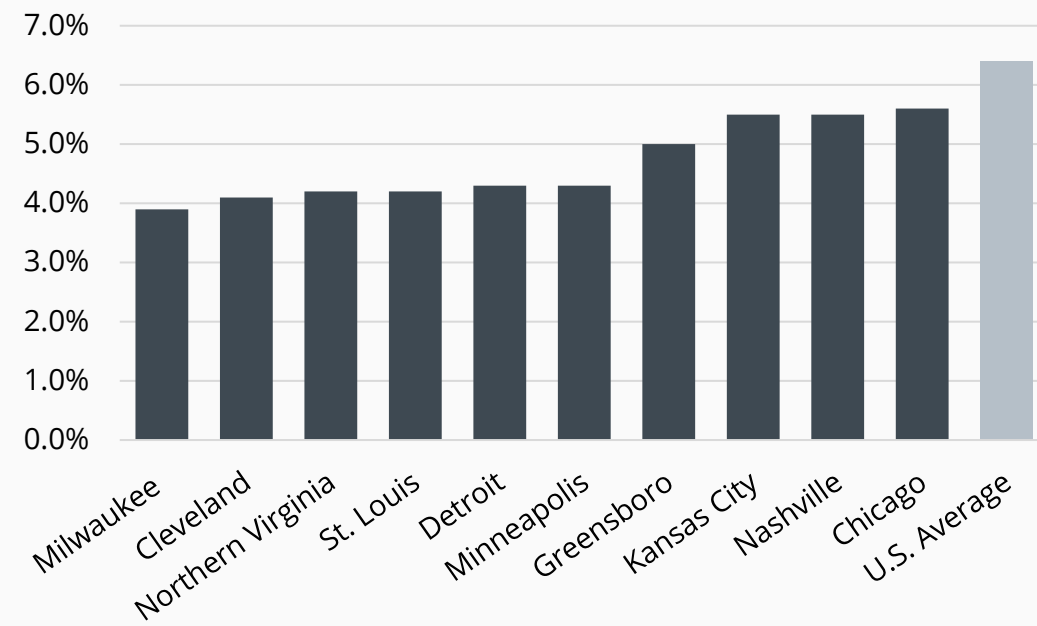
### NET ABSORPTION

Q4 2024 Net Absorption



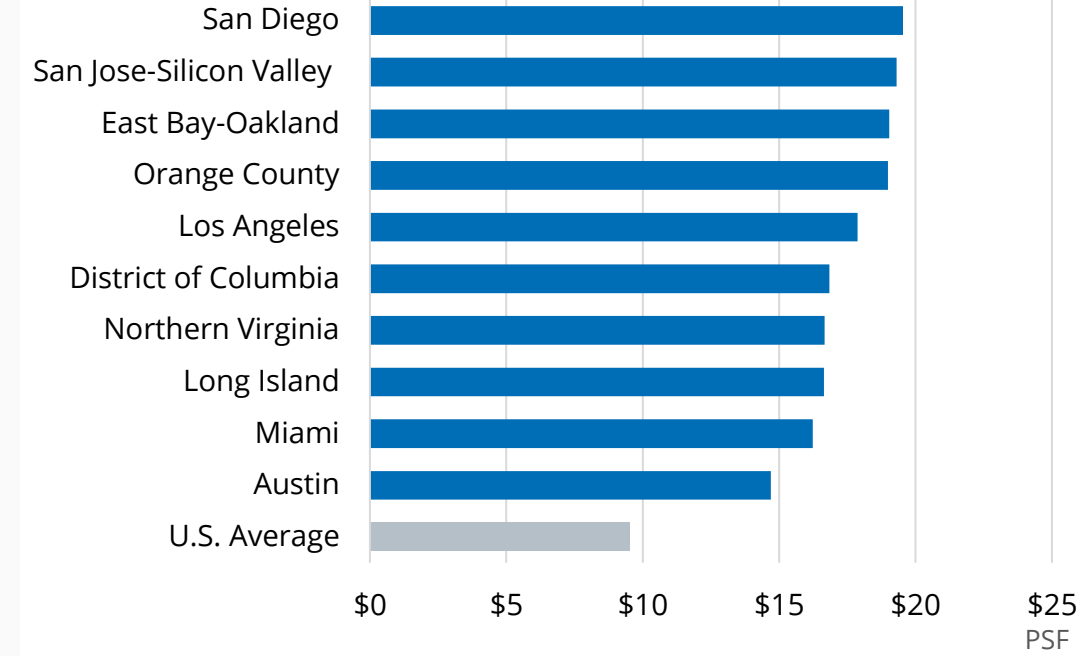
### VACANCY/CONSTRUCTION

Q4 2024 Vacancy Rate

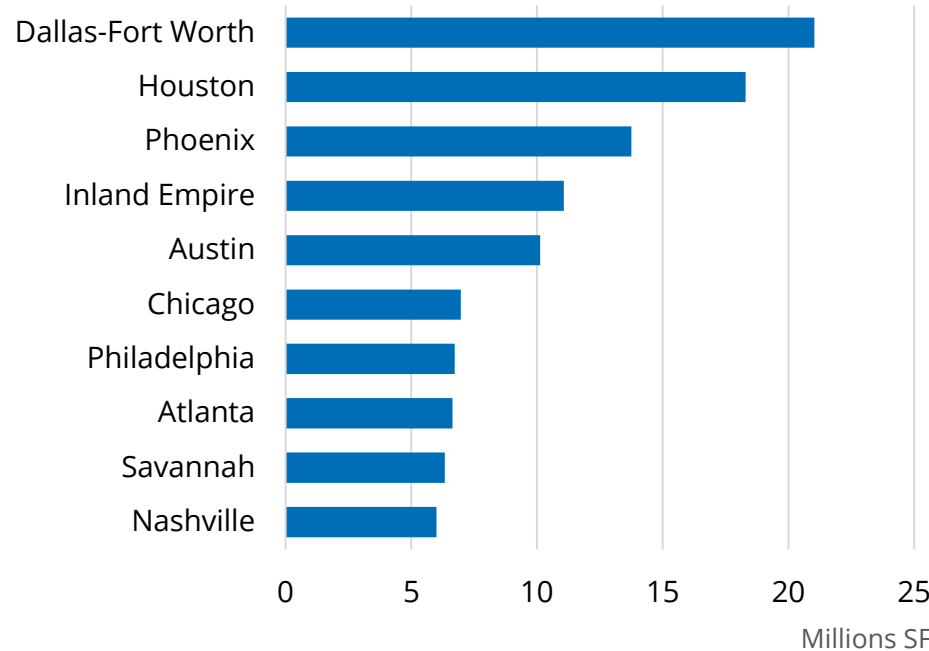


### ASKING RENTS

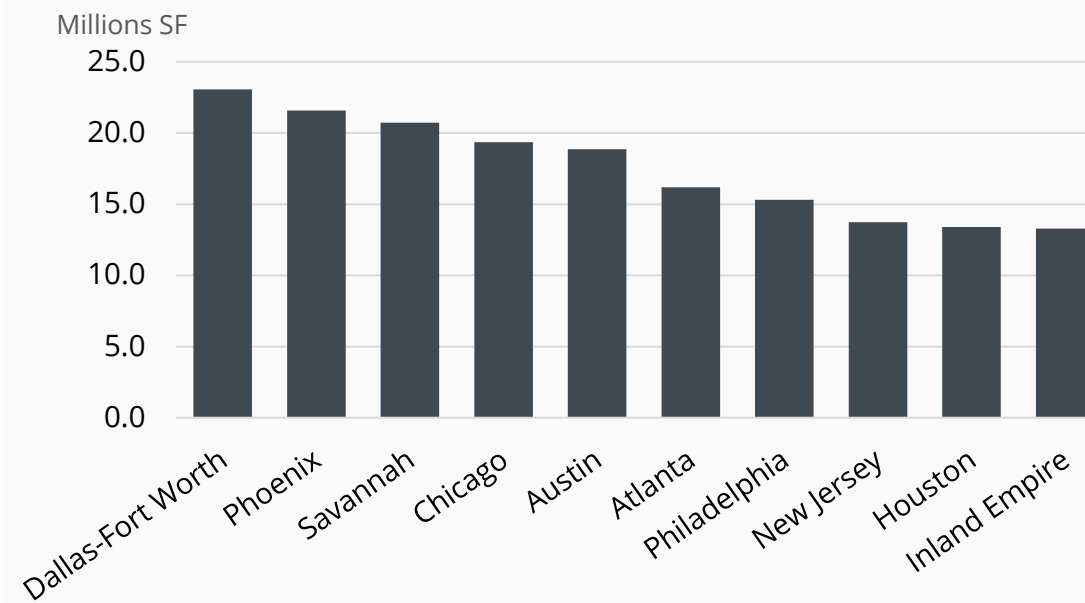
Q4 2024 Asking Rate NNN



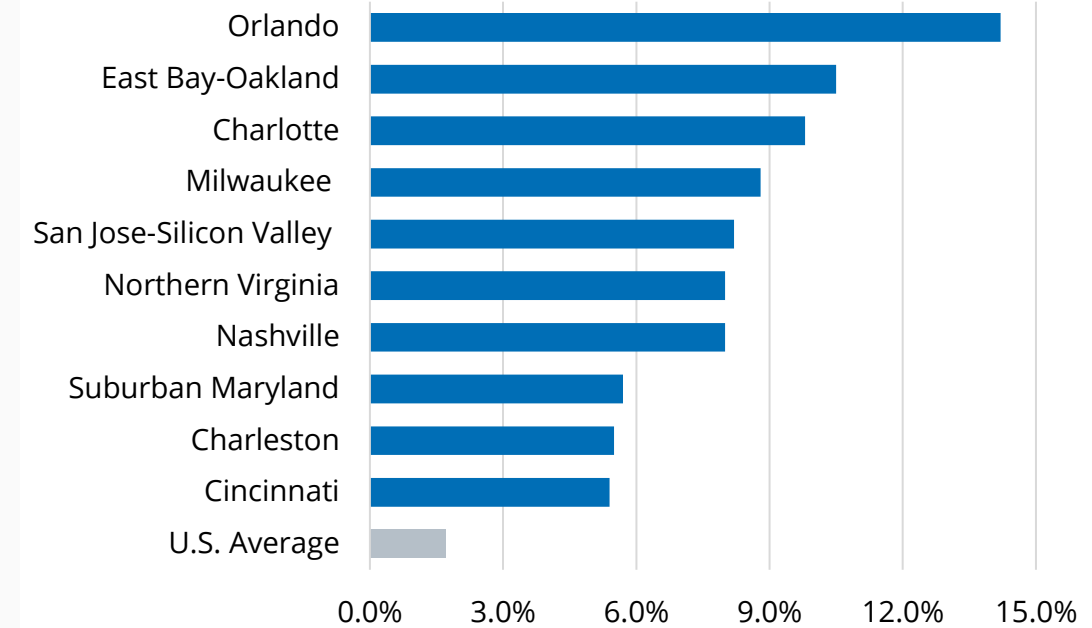
### Trailing 4-Qtr Net Absorption



### Q4 2024 Under Construction

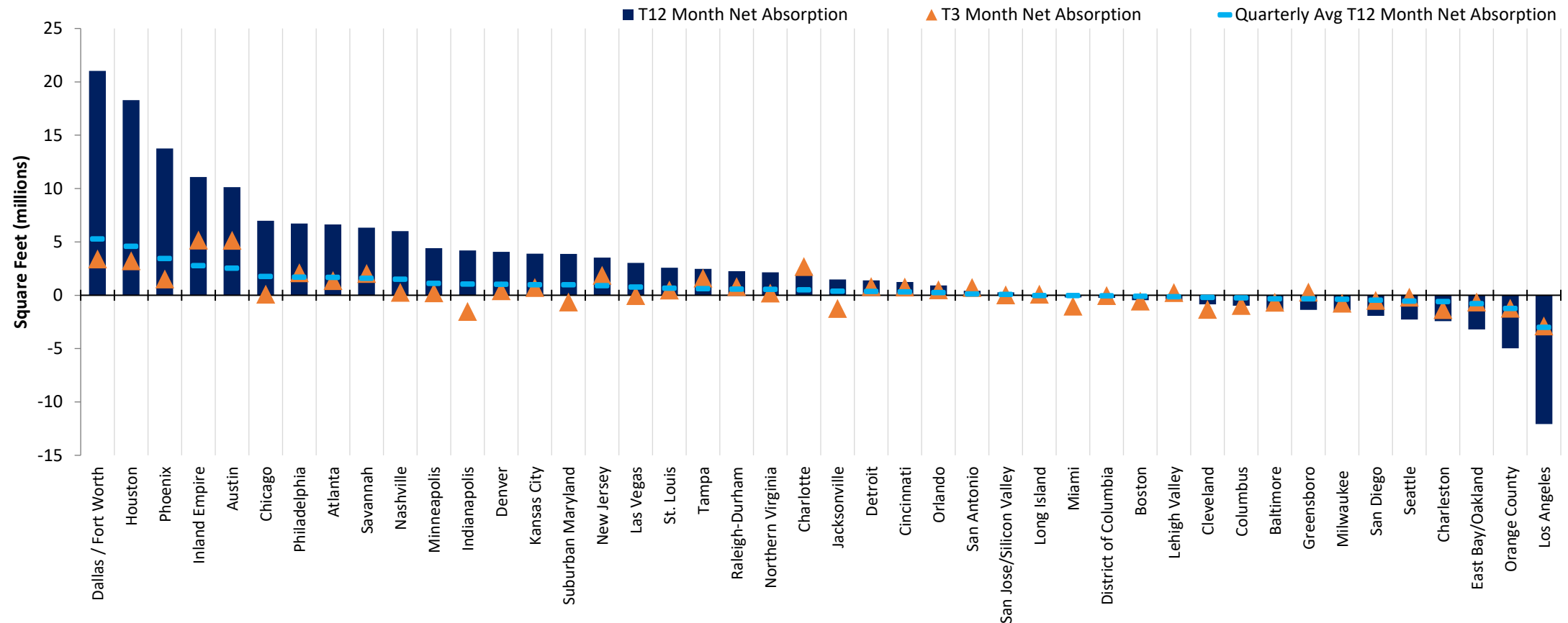


### Year-Over-Year Rent Growth



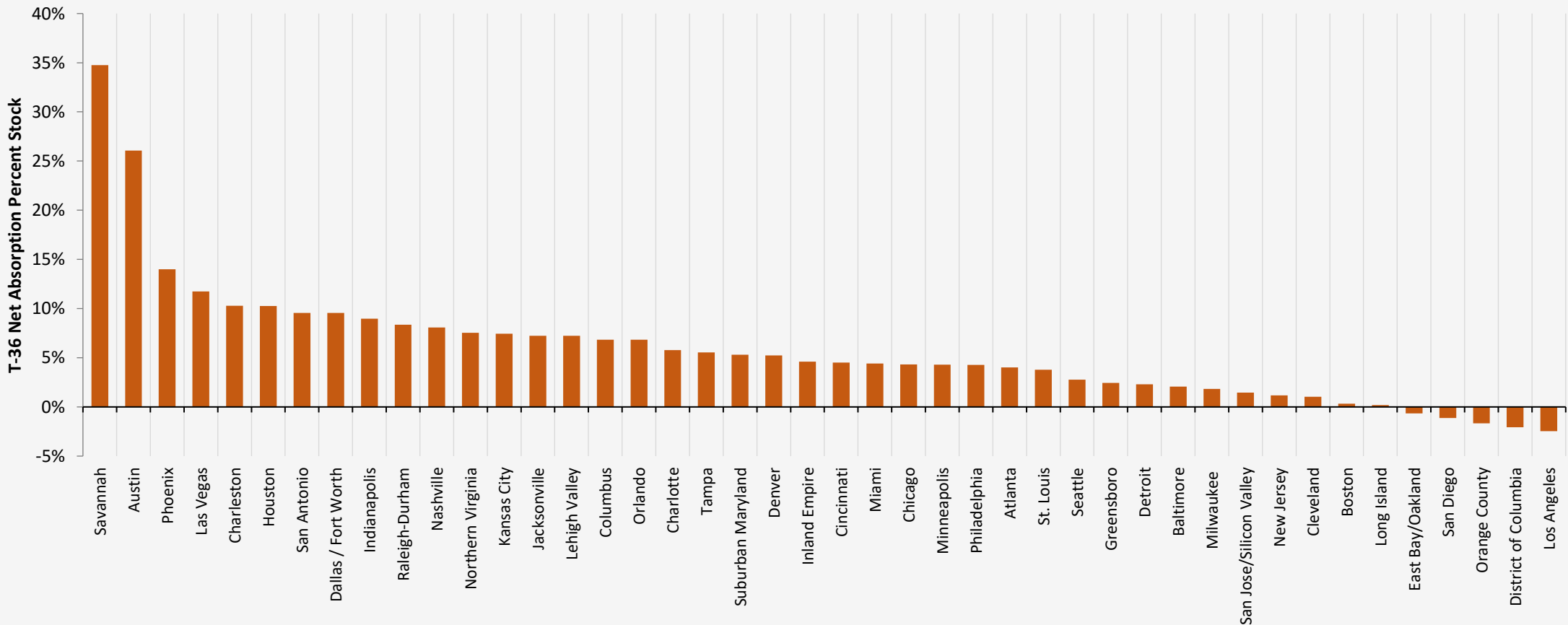
\*Several factors can result in the variability of asking rent and rent growth figures including, but not limited to, the level of new construction and the number of available space with no listed asking rents,

### NET ABSORPTION



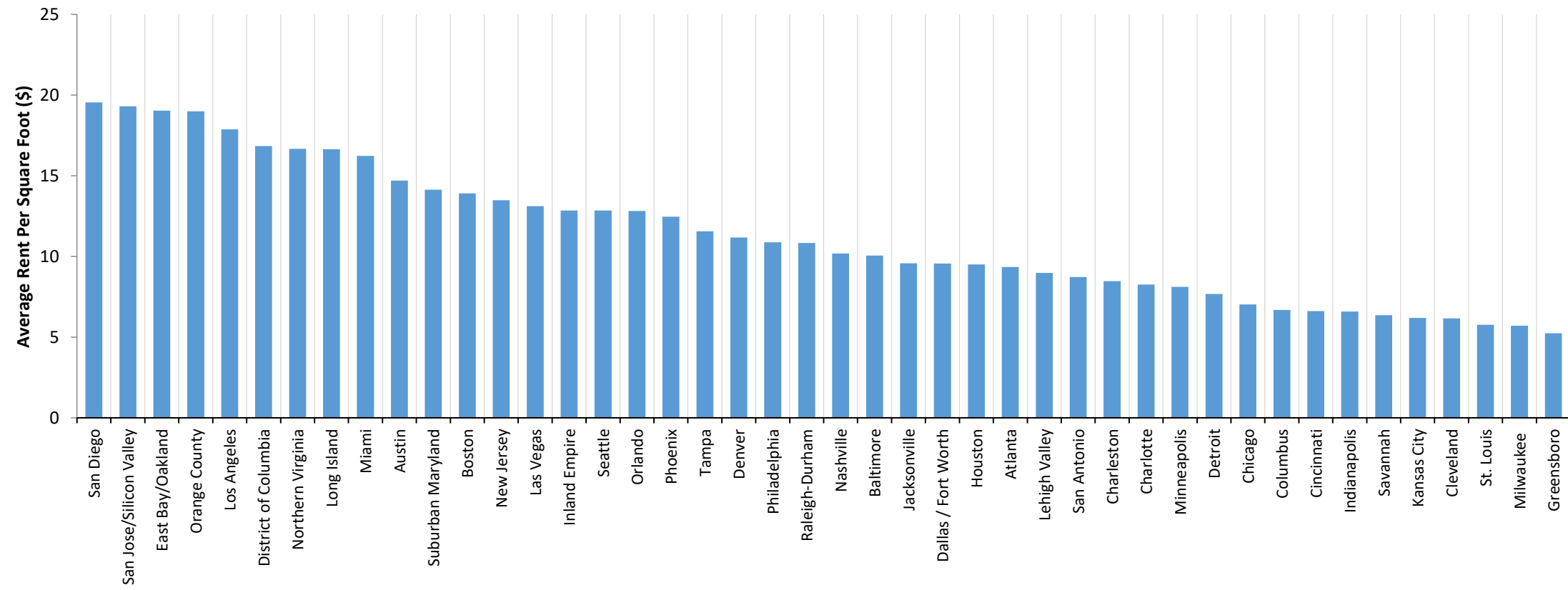
- Positive net absorption was reported in 28 of 44 of markets over the past 12 months, four less than Q3 2024.
- Growth stabilized with the number of markets where quarterly net absorption improved when compared to the quarterly average remained at 24.
- Slightly more than half of all net absorption over the past 12 months occurred in the top five markets.

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



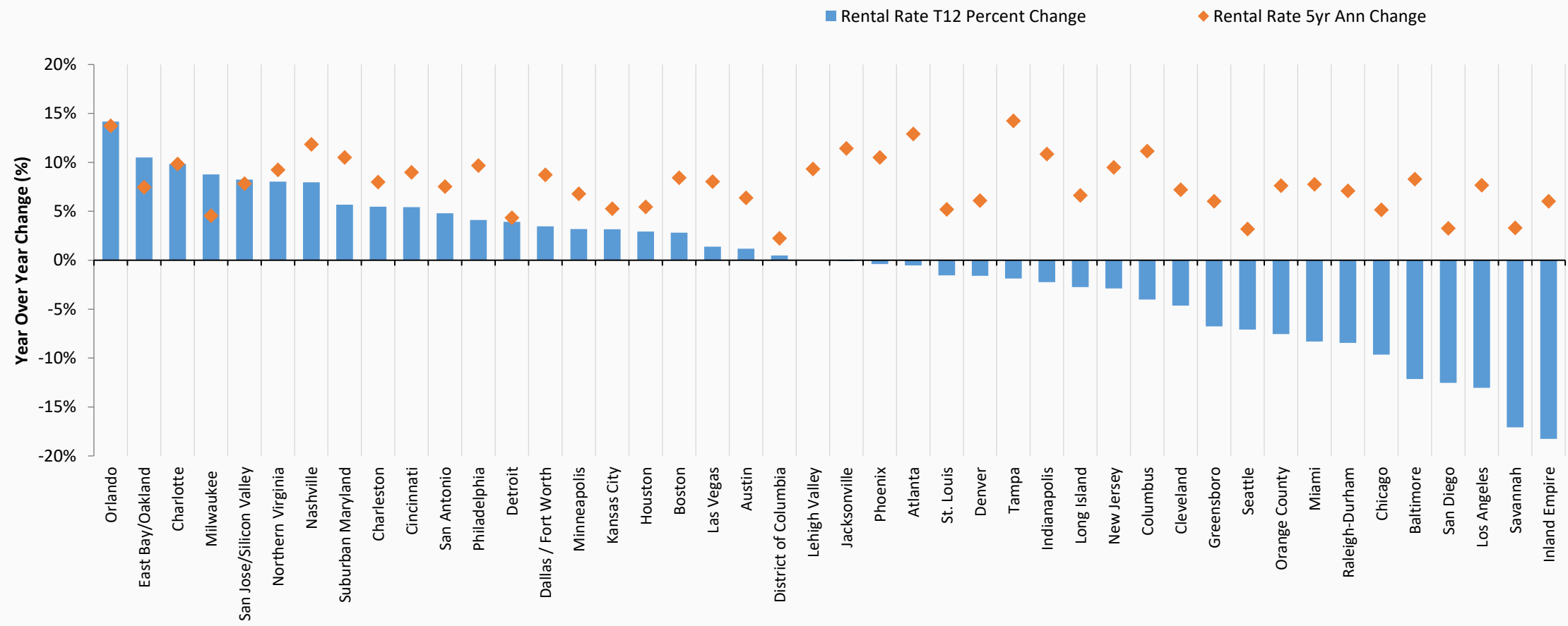
- Here, we consider 3-year net absorption as a percent of stock. A higher percentage indicates that a market is more expansionary.
- Nine of the top 10 and 11 of the top 15 markets for expansion were in the Sun Belt, with the remaining two in the Midwest.

### RENTAL RATES (NNN)



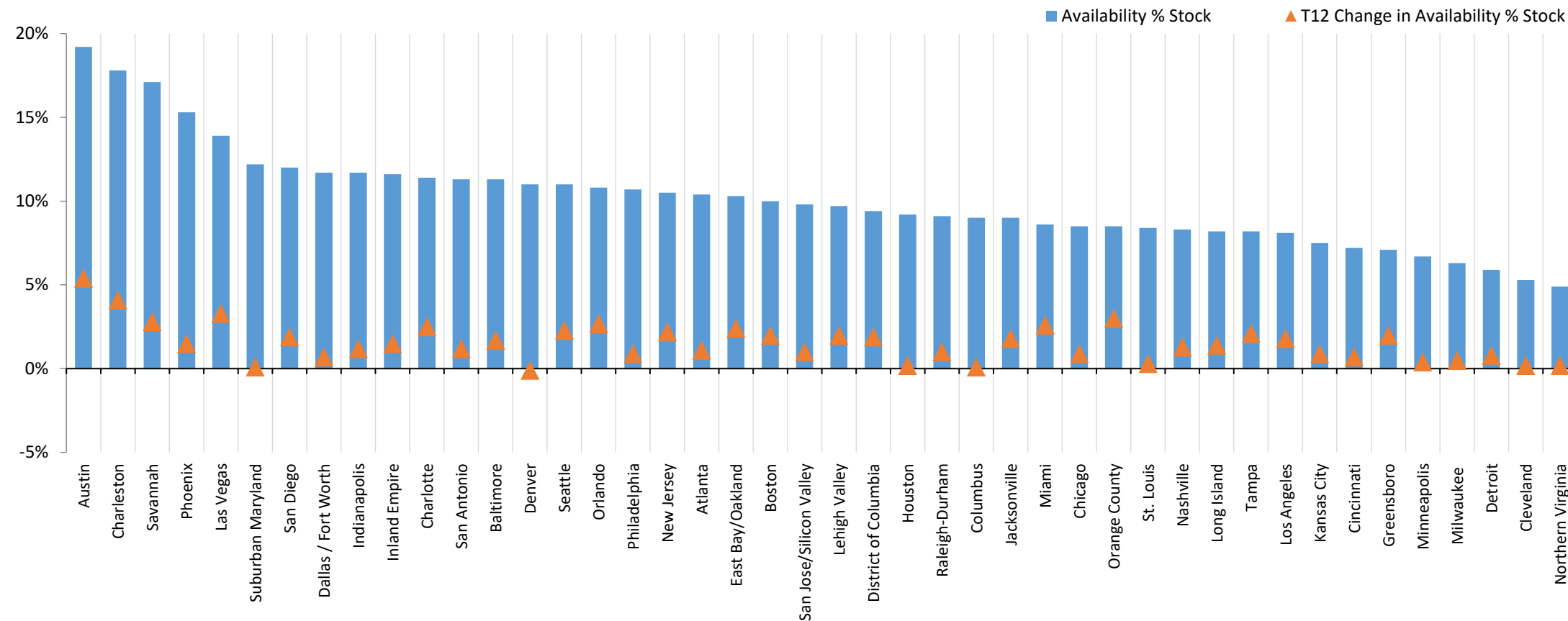
- Nine of the top 10 markets with the highest rental rates are located in the largest shipping port regions on the west and east coasts.
- Of the nine coastal markets with the highest asking rates, five experienced rent decreases over the past 12 months.

### RENTAL RATE CHANGE



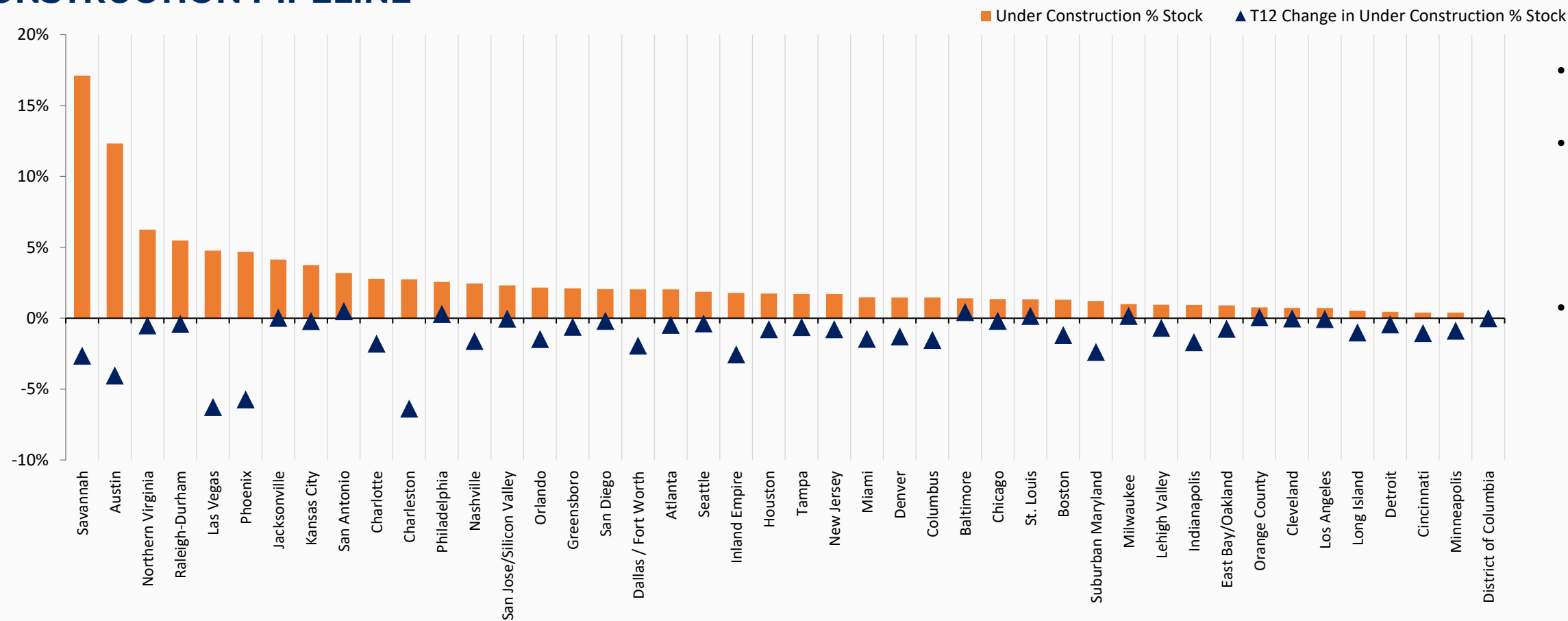
- Only two markets experienced rent growth over 10% during 2024, down from 24 in the previous year.
- Alternatively, 50% of markets recorded a decline in rent over the past year, compared to 14% in 2023 as an increase in supply and rising vacancies are balancing the market.

## AVAILABILITY



- Four of the top five markets with the highest availability also claim four of the top six construction percentage levels including Austin, Savannah, Phoenix and Las Vegas.
- Many markets loosened during 2024 as demand eased, with all but Denver experiencing an increase in availability.
- Markets experiencing the largest increases in availability include Austin, Charleston, Las Vegas and Orange County, all of which rose by at least 300 basis points.

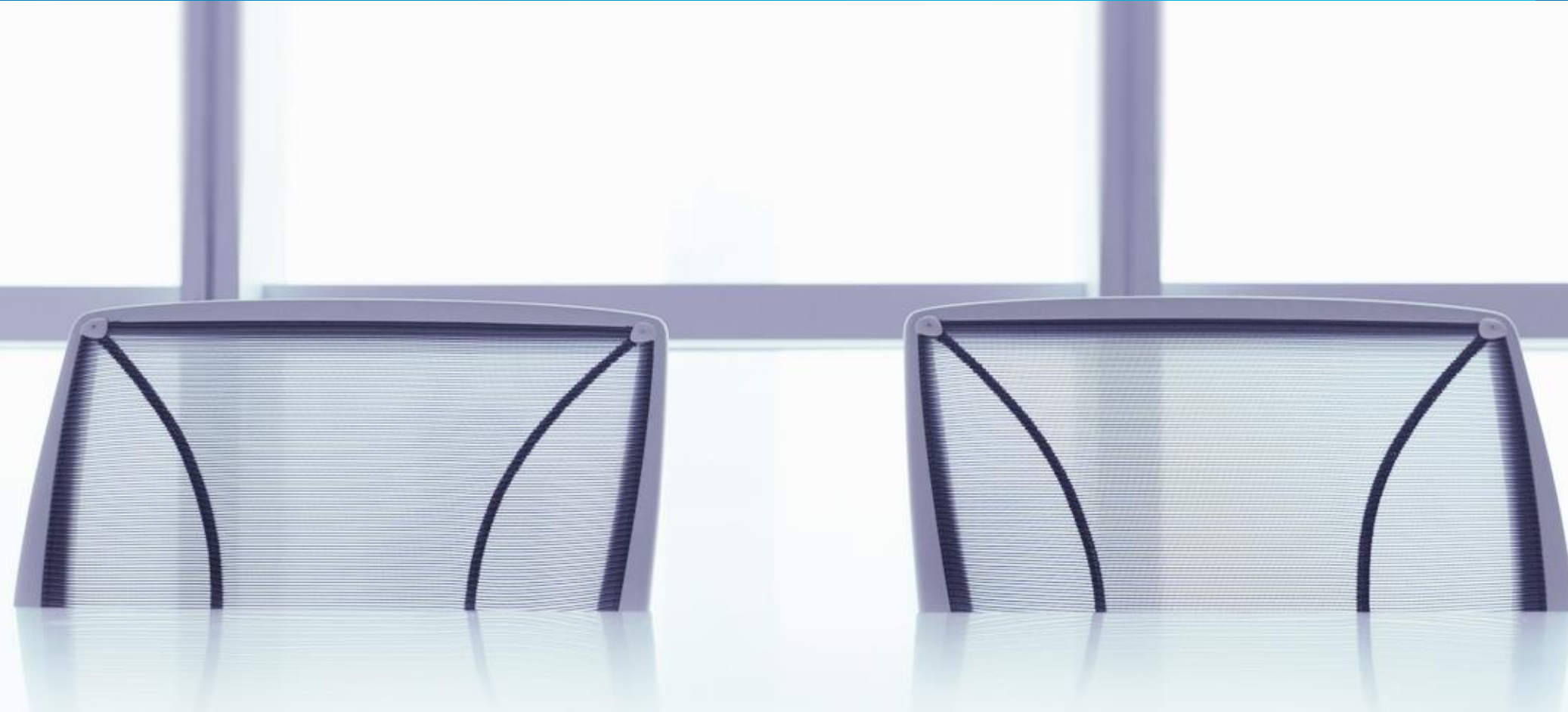
## CONSTRUCTION PIPELINE



- Under construction stock is indicative of future expansion.
- Developers continue to follow population migration to the south, which accounts for 8 of the top 10 highest growth markets as it pertains to under-construction stock.
- Depressed demand and a challenging capital markets environment has caused construction stock to either decelerate or remain unchanged in 38 of 44 markets.

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	795,097,224	8.0%	7.3%	1,367,901	6,641,552	\$9.34	-0.5%	16,191,295
Austin	153,075,811	11.3%	10.7%	5,141,363	10,122,299	\$14.70	1.2%	18,858,157
Baltimore	237,084,673	8.0%	7.3%	(656,631)	(1,364,591)	\$10.06	-12.1%	3,302,075
Boston	345,956,386	7.7%	6.9%	(547,140)	(454,858)	\$13.90	2.8%	4,528,299
Charleston	104,025,197	16.6%	13.7%	(1,357,570)	(2,423,197)	\$8.47	5.5%	2,858,476
Charlotte	367,877,474	9.5%	8.8%	2,686,927	2,027,345	\$8.26	9.8%	10,198,895
Chicago	1,423,088,309	5.6%	5.0%	100,476	6,974,037	\$7.02	-9.7%	19,347,657
Cincinnati	345,885,173	5.7%	5.4%	774,141	1,236,555	\$6.61	5.4%	1,388,000
Cleveland	333,479,035	4.1%	4.0%	(1,335,249)	(850,099)	\$6.16	-4.6%	2,461,314
Columbus	365,303,851	8.6%	8.0%	(956,021)	(987,531)	\$6.68	-4.0%	5,346,242
Dallas-Fort Worth	1,132,016,792	9.9%	9.1%	3,390,444	21,034,524	\$9.56	3.5%	23,065,075
Denver	268,890,752	8.3%	7.8%	421,975	4,060,518	\$11.17	-1.6%	3,945,232
Detroit	590,133,093	4.3%	3.9%	804,957	1,382,536	\$7.67	3.9%	2,663,360
District of Columbia	8,693,891	8.3%	7.6%	(35,882)	(239,867)	\$16.84	0.5%	0
East Bay-Oakland	256,010,598	8.1%	6.5%	(638,341)	(3,200,033)	\$19.04	10.5%	2,310,504
Greensboro	165,080,697	5.0%	4.5%	299,272	(1,367,195)	\$5.24	-6.8%	3,492,157
Houston	769,514,287	6.7%	6.4%	3,217,319	18,292,062	\$9.50	2.9%	13,389,217
Indianapolis	407,734,471	9.6%	8.3%	(1,520,614)	4,188,673	\$6.58	-2.2%	3,806,667
Inland Empire	745,879,927	7.6%	6.2%	5,163,372	11,069,345	\$12.85	-18.3%	13,283,519
Jacksonville	153,170,878	5.8%	5.4%	(1,247,087)	1,489,297	\$9.58	-0.1%	6,345,290
Kansas City	337,765,940	5.5%	4.7%	724,986	3,888,301	\$6.19	3.2%	12,631,276
Las Vegas	173,305,537	9.7%	8.9%	(30,078)	3,040,086	\$13.12	1.4%	8,267,896

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	164,115,015	6.6%	6.0%	244,183	(568,783)	\$8.98	0.0%	1,547,569
Long Island	159,815,807	6.1%	5.5%	97,525	(176,678)	\$16.64	-2.7%	824,540
Los Angeles	937,248,833	6.1%	5.2%	(2,885,555)	(12,071,692)	\$17.87	-13.0%	6,667,170
Miami	252,434,617	5.6%	5.1%	(1,014,905)	(203,031)	\$16.23	-8.3%	3,726,664
Milwaukee	252,300,251	3.9%	3.7%	(740,394)	(1,535,978)	\$5.71	8.8%	2,503,766
Minneapolis	410,777,793	4.3%	4.0%	236,537	4,418,252	\$8.12	3.2%	1,640,642
Nashville	259,710,709	5.5%	4.6%	269,847	6,002,868	\$10.18	8.0%	6,347,058
New Jersey	801,602,447	6.8%	6.2%	1,863,271	3,538,400	\$13.48	-2.9%	13,729,093
Northern Virginia	129,281,258	4.2%	3.9%	206,364	2,158,899	\$16.67	8.0%	8,066,544
Orange County	273,336,626	5.6%	4.5%	(1,209,461)	(4,967,488)	\$18.99	-7.5%	2,104,205
Orlando	191,574,448	7.4%	6.6%	516,373	915,149	\$12.81	14.2%	4,133,318
Philadelphia	595,481,863	7.7%	7.4%	2,104,219	6,727,584	\$10.87	4.1%	15,320,479
Phoenix	462,080,559	13.2%	11.7%	1,530,716	13,748,143	\$12.46	-0.4%	21,584,902
Raleigh-Durham	148,411,099	6.9%	6.4%	801,028	2,245,684	\$10.84	-8.4%	8,138,781
San Antonio	163,057,751	9.1%	8.7%	733,149	430,389	\$8.72	4.8%	5,198,997
San Diego	189,522,859	8.2%	6.9%	(481,257)	(1,922,493)	\$19.54	-12.5%	3,873,274
San Jose-Silicon Valley	181,990,855	8.0%	7.2%	28,427	278,974	\$19.30	8.2%	4,207,693
Savannah	121,142,652	13.3%	10.7%	2,041,174	6,335,362	\$6.36	-17.1%	20,719,488
Seattle	335,619,925	8.5%	7.3%	(191,409)	(2,273,396)	\$12.85	-7.1%	6,255,469
St. Louis	322,311,188	4.2%	3.8%	492,768	2,584,150	\$5.76	-1.5%	4,292,608
Suburban Maryland	147,026,556	10.3%	9.4%	(636,007)	3,873,799	\$14.13	5.7%	1,784,107
Tampa	197,184,075	6.0%	5.8%	1,602,552	2,461,327	\$11.56	-1.9%	3,382,353



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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.