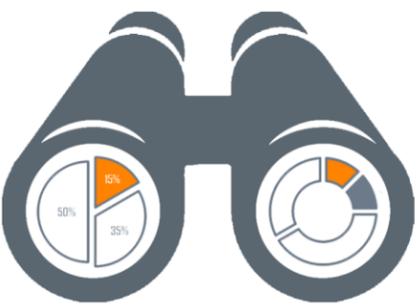
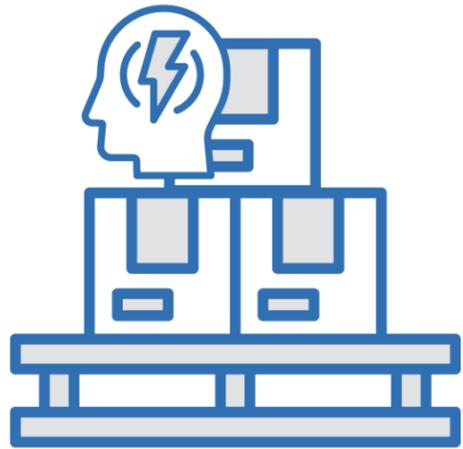


COMMERCIAL REAL ESTATE

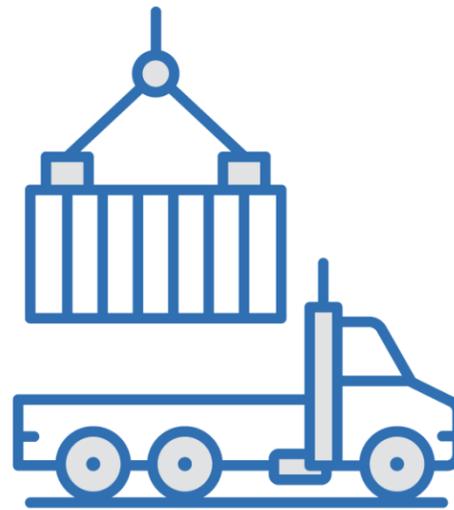
# U.S. MARKET | Industrial

Q1 2025

# THE VIEW FROM HERE

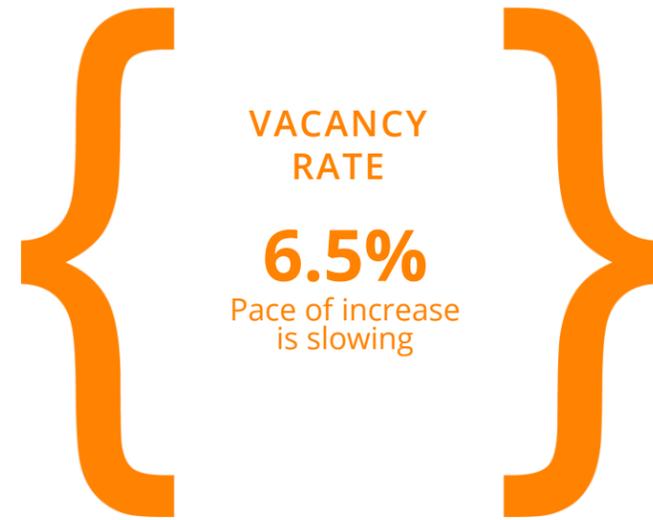
Supply chain hangover may result from acceleration of inventory ahead of tariffs.



Increased investor risk in port-centric markets due to declining import levels.



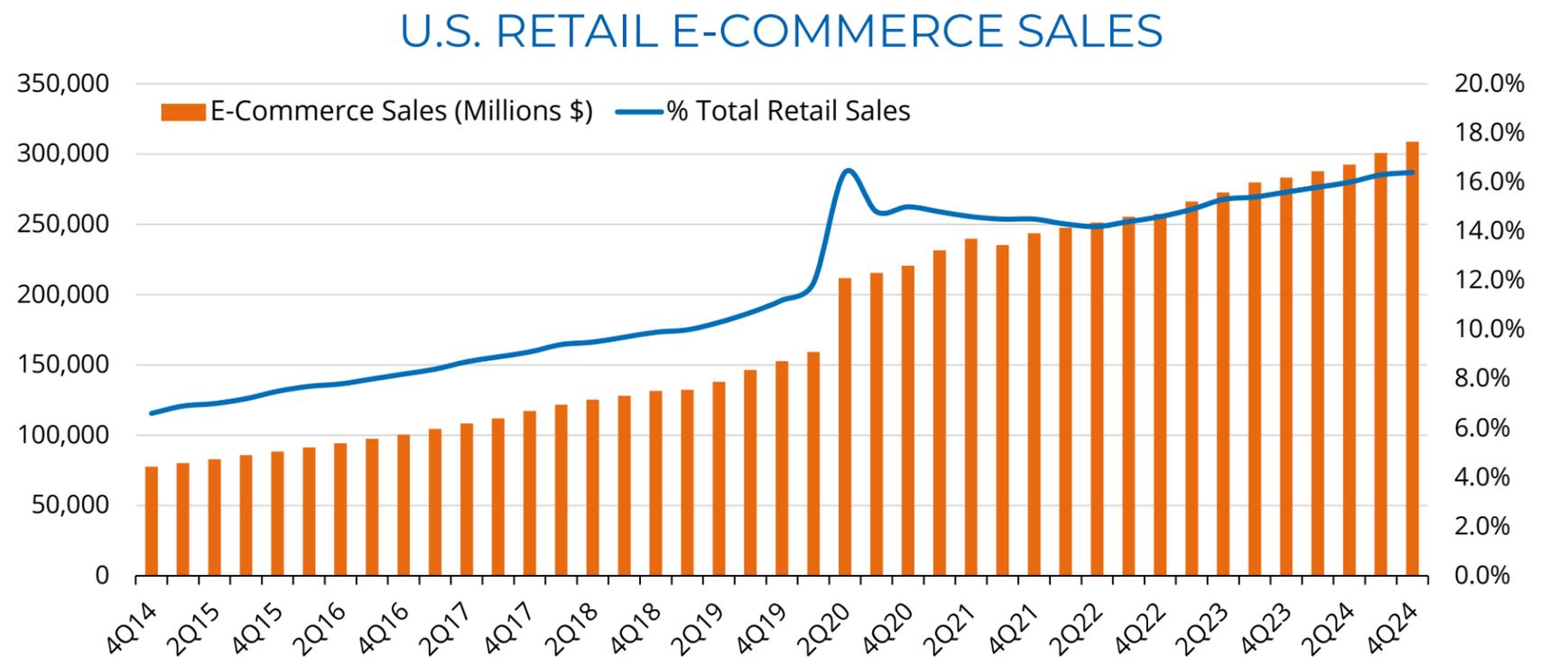
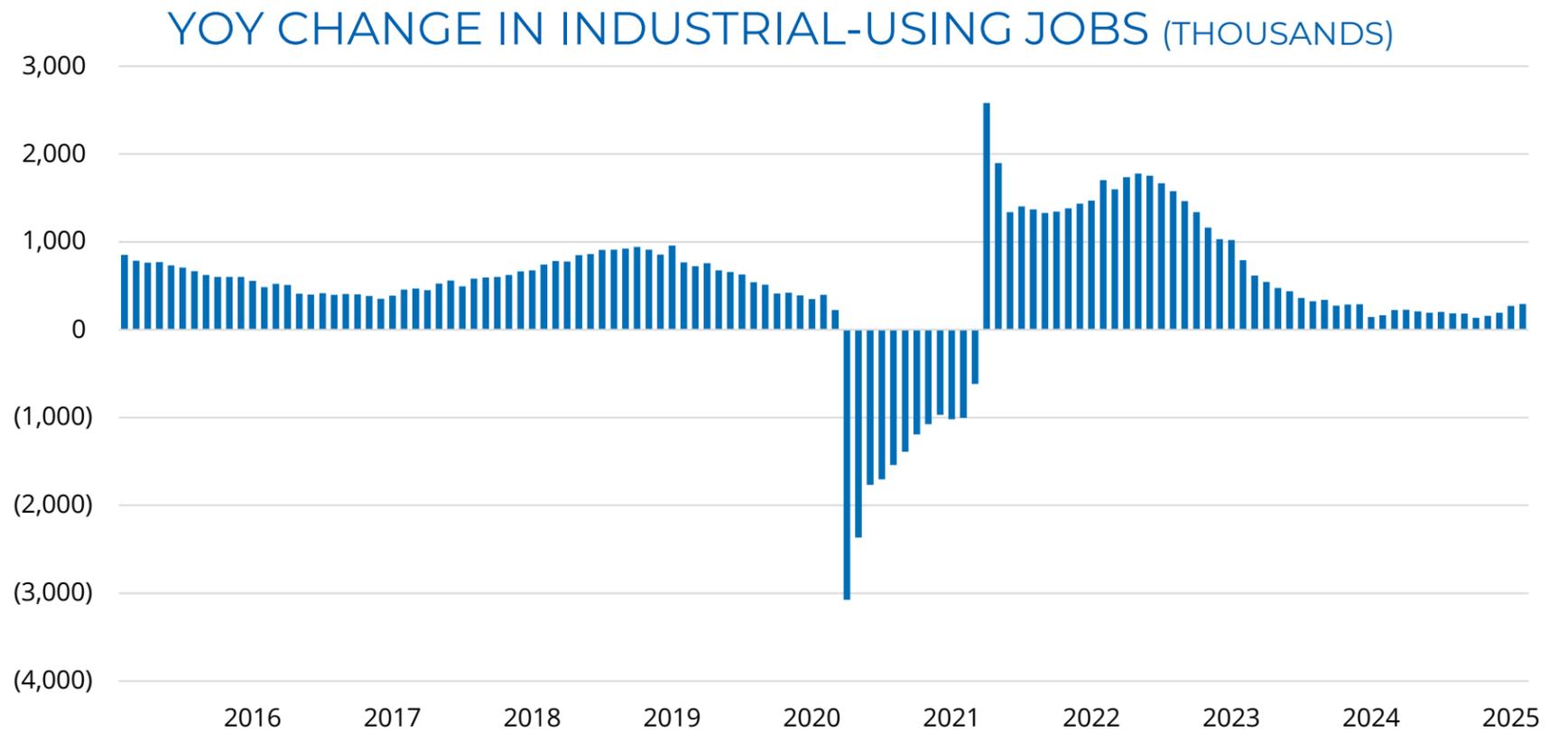
Economic indicators suggest market is softening, portending a decline in consumption.



## ECONOMIC HIGHLIGHTS

- The tariff-induced trade environment is fueling recession fears, triggering extremely volatile economic conditions.
- After cutting by a total of 100 bps in the final four months of 2024, the Federal Reserve is on hold for interest rate reductions and is largely anticipated to remain that way until the second half of the year.
- U.S. GDP grew by an annualized rate of 2.4% in Q4 2024, slightly lower than the initial reading due to a revision in imports. Forecasts for 2025 ranged between 1.5% and 2.0% with models for potential contraction in the short term due to tariff-related tensions.
- The U.S. unemployment rate ticked up one-tenth of a point during the quarter to 4.2% and was 30 basis points higher when compared year-over-year.
- Employment growth supporting the industrial real estate sector has begun to pick up, experiencing its largest quarterly increase in jobs since Q3 2022.
- While warehouse employment declined, jobs supporting trucking rebounded, as March marked the strongest month for growth since January 2022.
- Construction job growth continued, though a diminishing development pipeline may result in future contraction within the sector.
- After contracting for 26 months, the manufacturing sector expanded for two months before experiencing a setback amid renewed concerns over tariffs.
- Inflation expectations related to the trade environment has dampened consumer sentiment.
- Shipping volumes remained strong as retailers continued to boost inventories while tariffs were paused.

## HISTORICAL

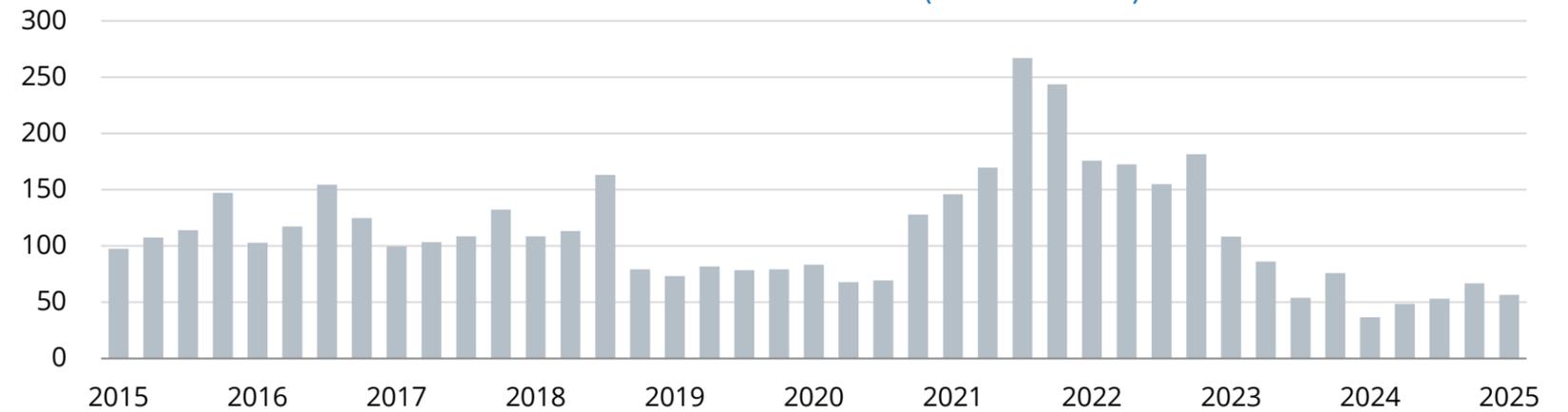


## MARKET HIGHLIGHTS

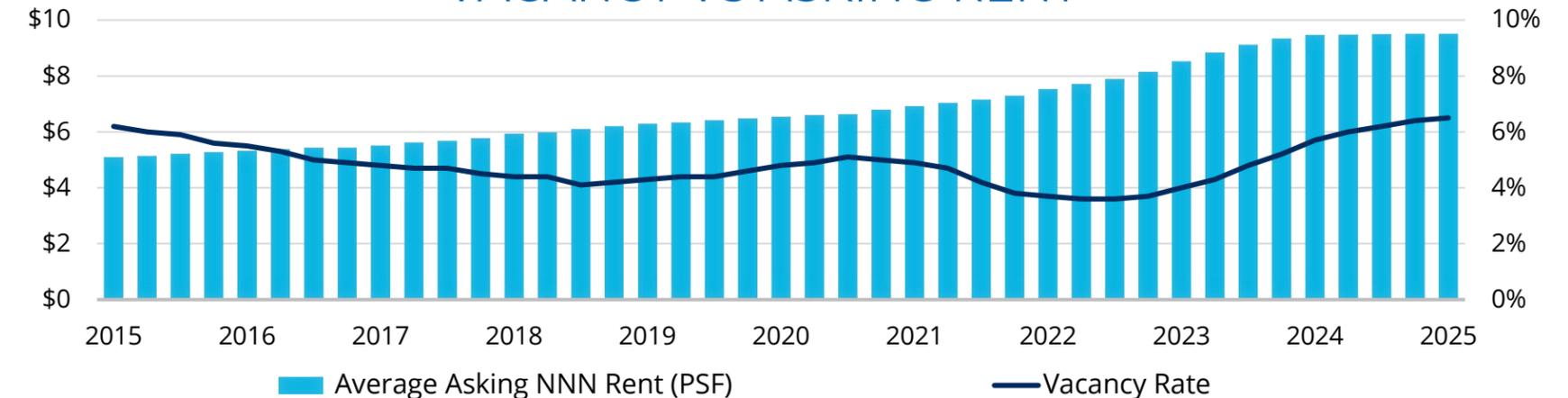
- The U.S. industrial real estate market continued to expand amid tariff-driven economic volatility.
- Occupancy increased for the 61<sup>st</sup> consecutive quarter, maintaining the slow pace of growth set in 2024.
- 32 of 44 markets recorded positive net absorption during the quarter, up from the 27 the previous quarter and 24 when compared to a year ago.
- Over the past 12 months, 70% of markets posted occupancy growth, while six markets absorbed more than 10 MSF, compared to four markets a year ago.
- The overall vacancy rate increased by 10 basis points to 6.4%, the highest level since Q3 2014.
- After increasing for 10 straight quarters, sublease availabilities stabilized, maintaining a level of 10.7% of listed space, 110 bps higher than a year ago.
- Rent growth continued to stagnate, with the overall average unchanged over the past three months.
- YoY rent growth decelerated almost to a halt, increasing by less than one percent in the past year and higher in slightly less than half of markets studied.
- More product was delivered to the market than was absorbed for the 10<sup>th</sup> consecutive quarter, while construction starts continued to cool.
- While several companies have made major tariff-driven U.S. manufacturing commitments, some developers have reduced investment allocation for new construction projects in anticipation of lower import totals, especially in coastal markets.

## HISTORICAL

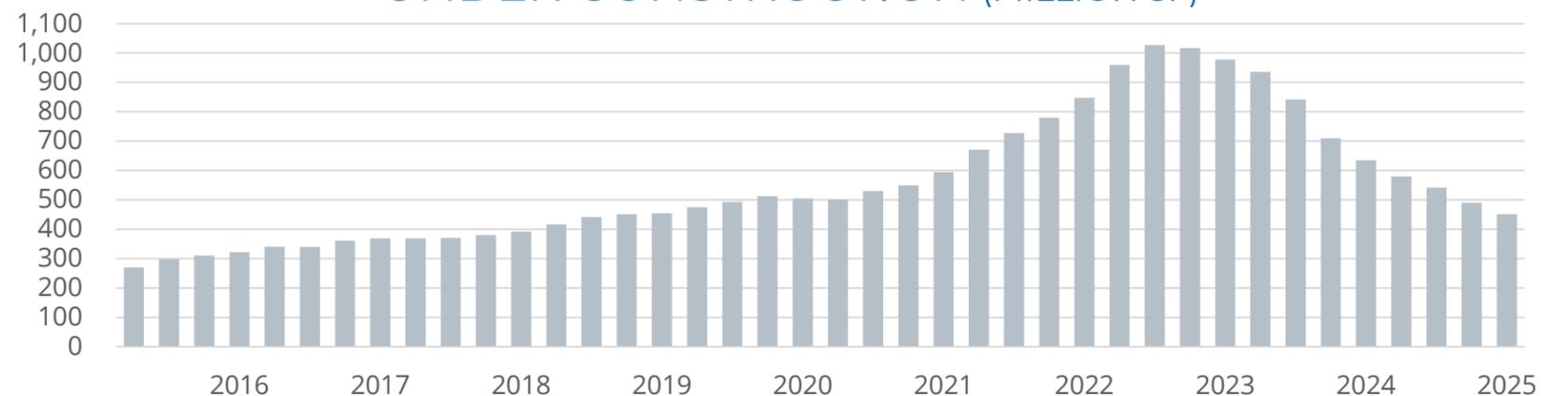
NET ABSORPTION (MILLION SF)



VACANCY VS ASKING RENT

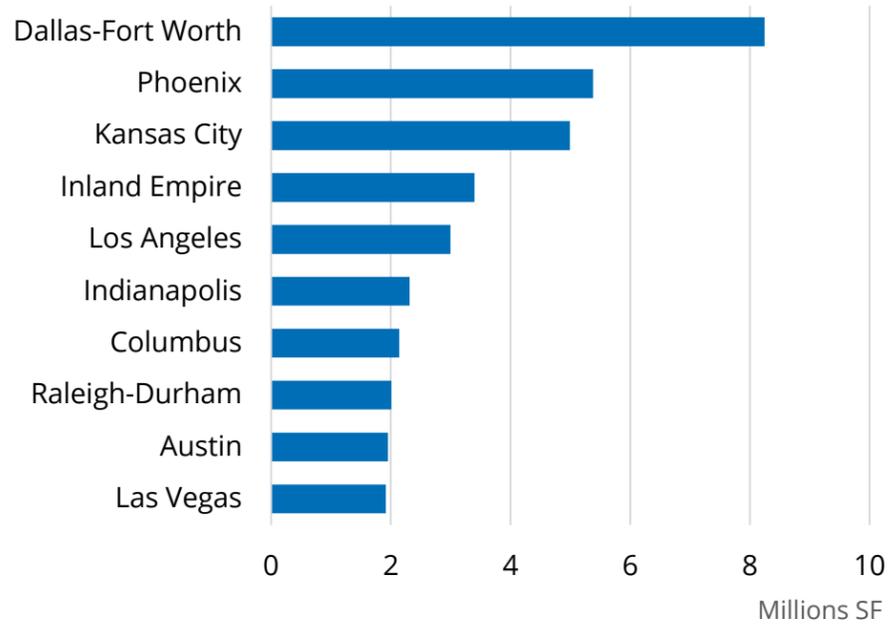


UNDER CONSTRUCTION (MILLION SF)



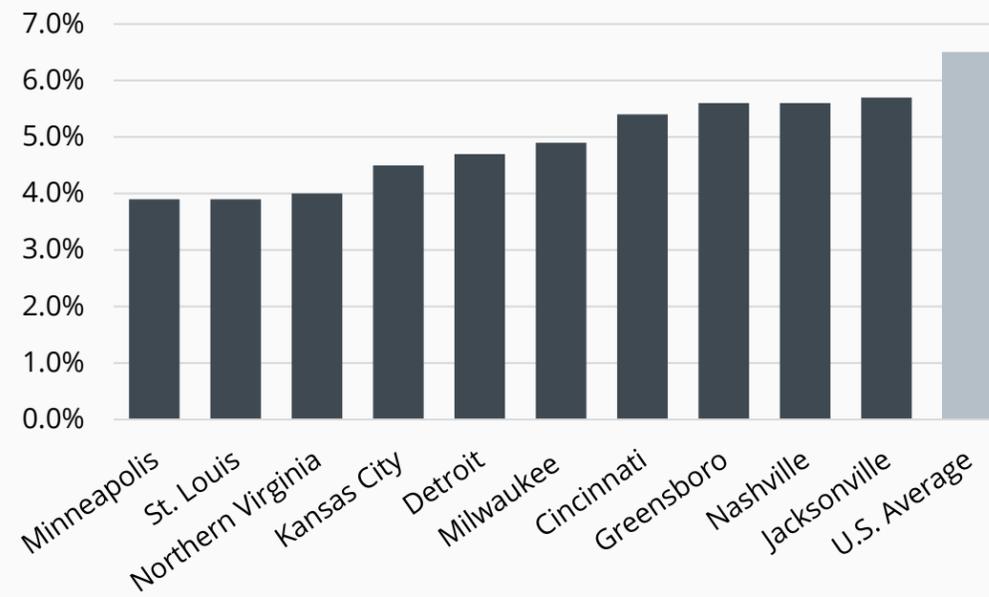
### NET ABSORPTION

Q1 2025 Net Absorption



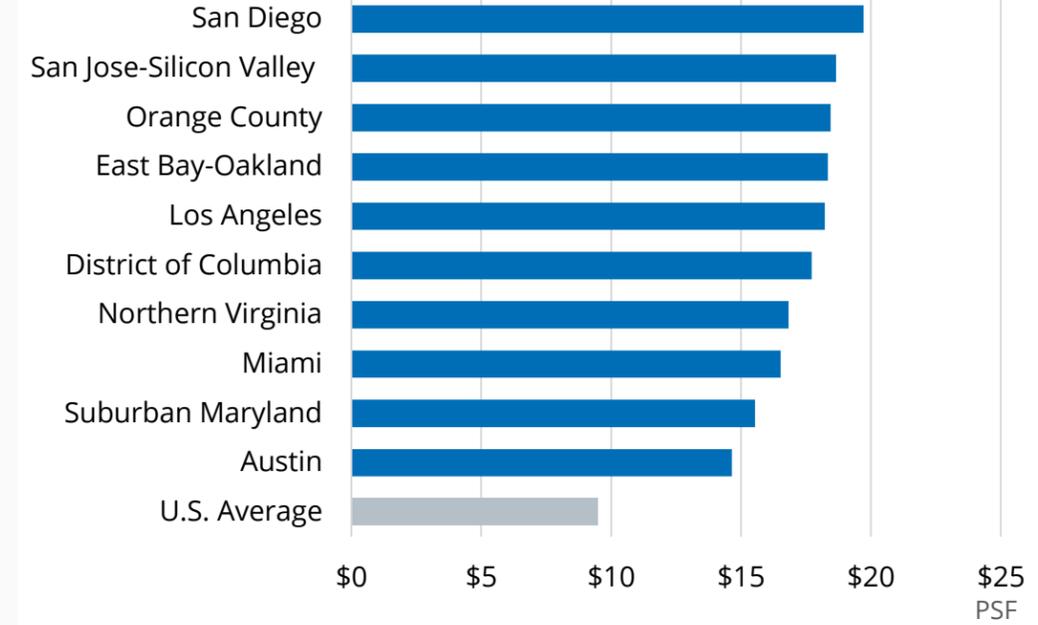
### VACANCY/CONSTRUCTION

Q1 2025 Vacancy Rate

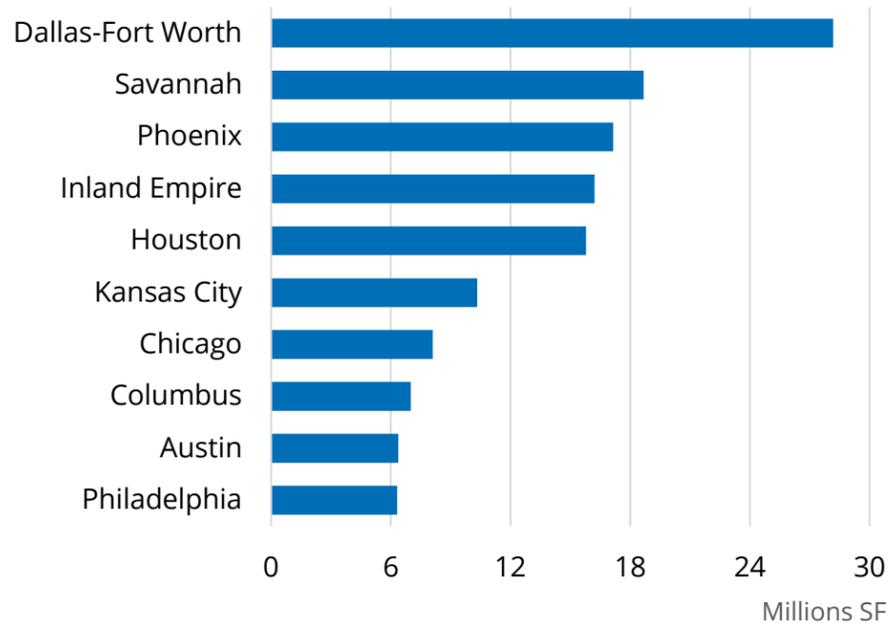


### ASKING RENTS

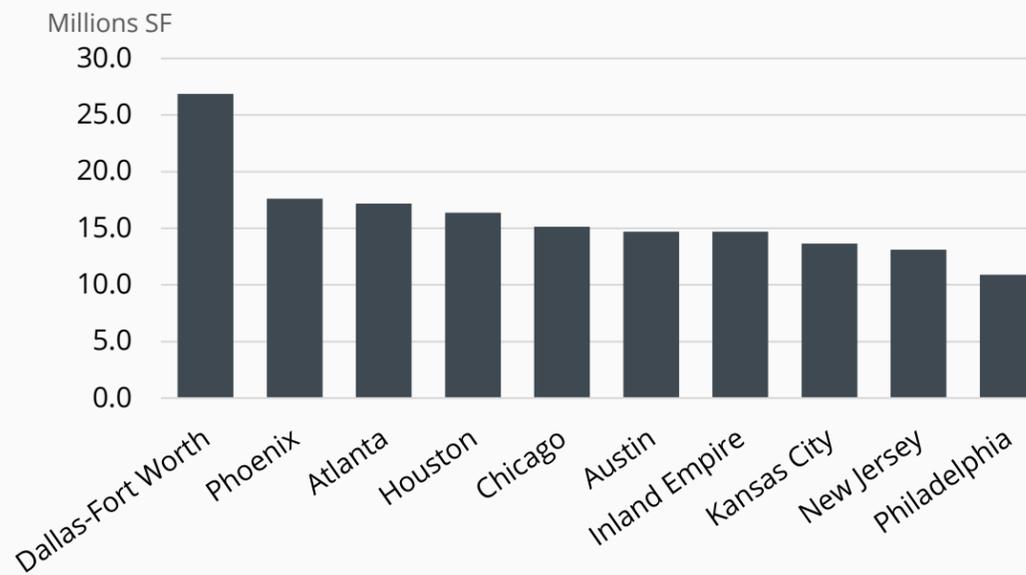
Q1 2025 Asking Rate NNN



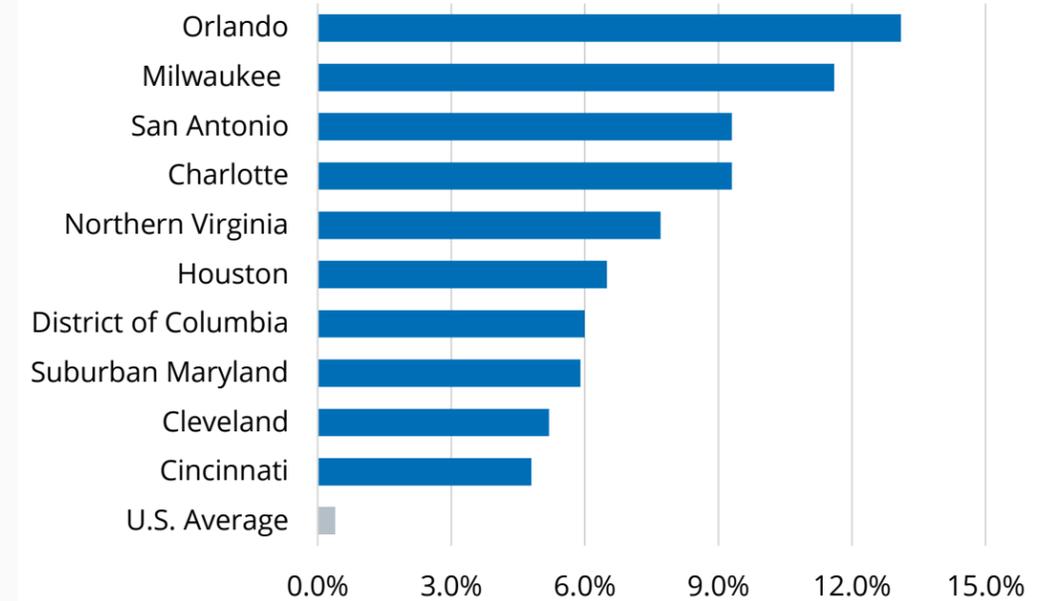
### Trailing 4-Qtr Net Absorption



### Q1 2025 Under Construction

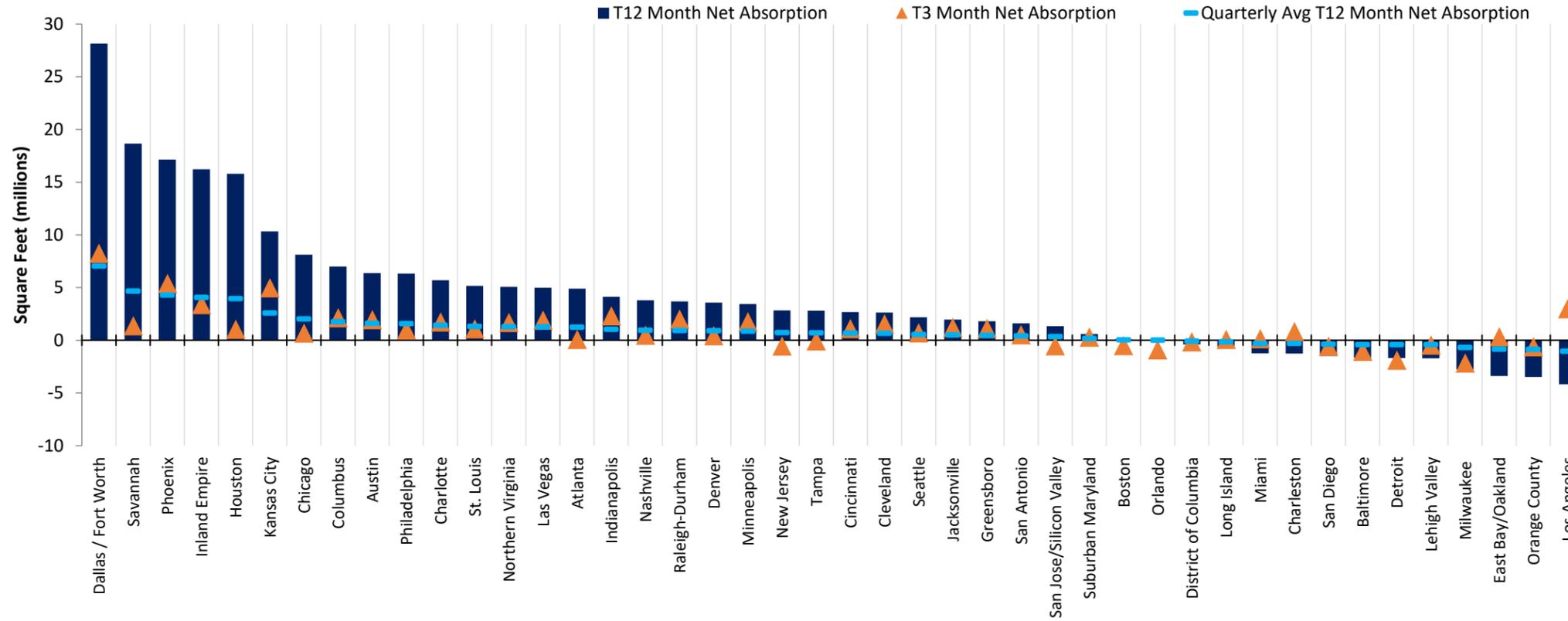


### Year-Over-Year Rent Growth



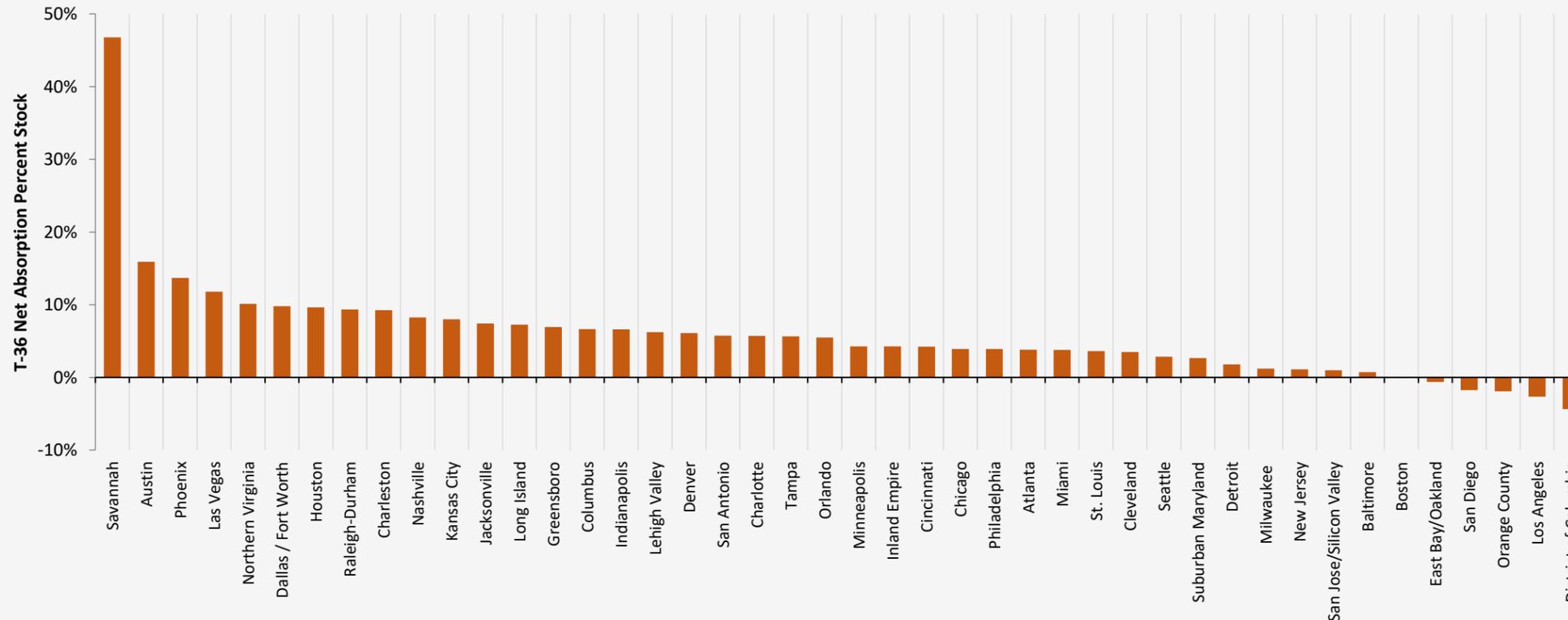
\*Several factors can result in the variability of asking rent and rent growth figures including, but not limited to, the level of new construction and the number of available space with no listed asking rents,

### NET ABSORPTION



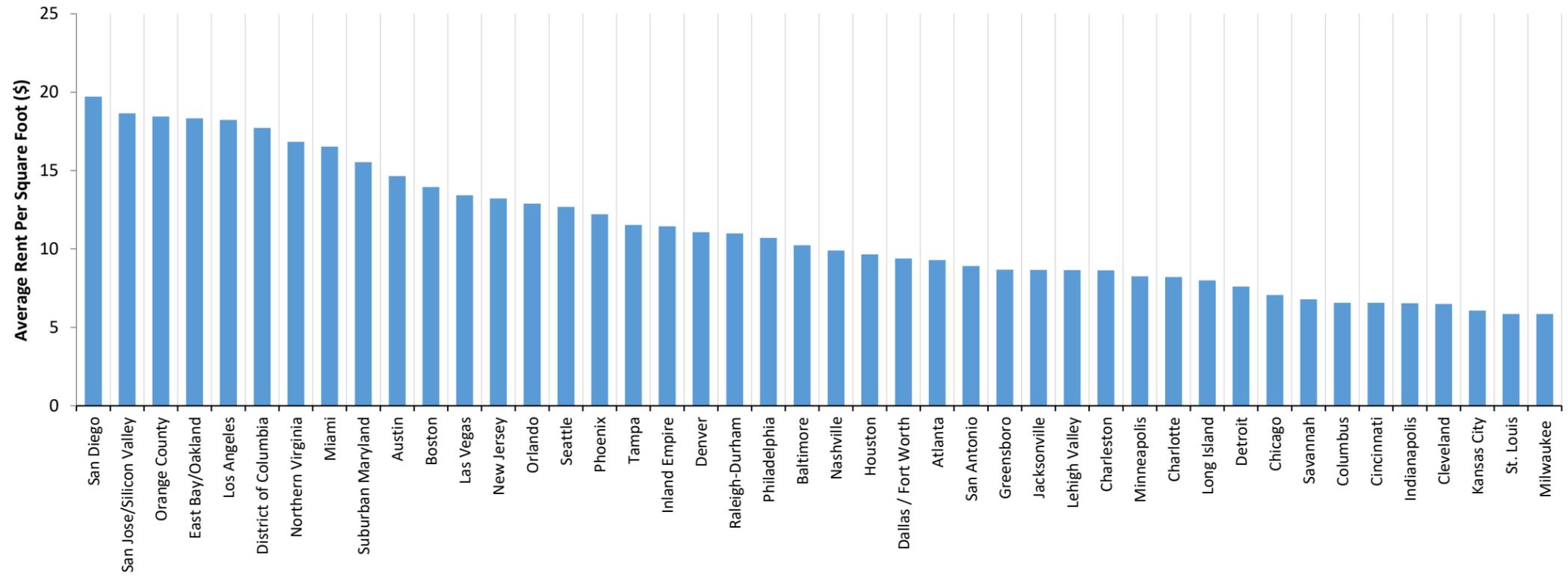
- Positive net absorption was reported in 31 of 44 of markets over the past 12 months, three more than Q4 2024.
- Growth stabilized, as the number of markets where quarterly net absorption improved when compared to the quarterly average remained at 24.
- Market balance for occupancy growth continues to expand as only 42% of net absorption over the past 12 months occurred in the top five markets, compared to 50% the previous quarter.

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



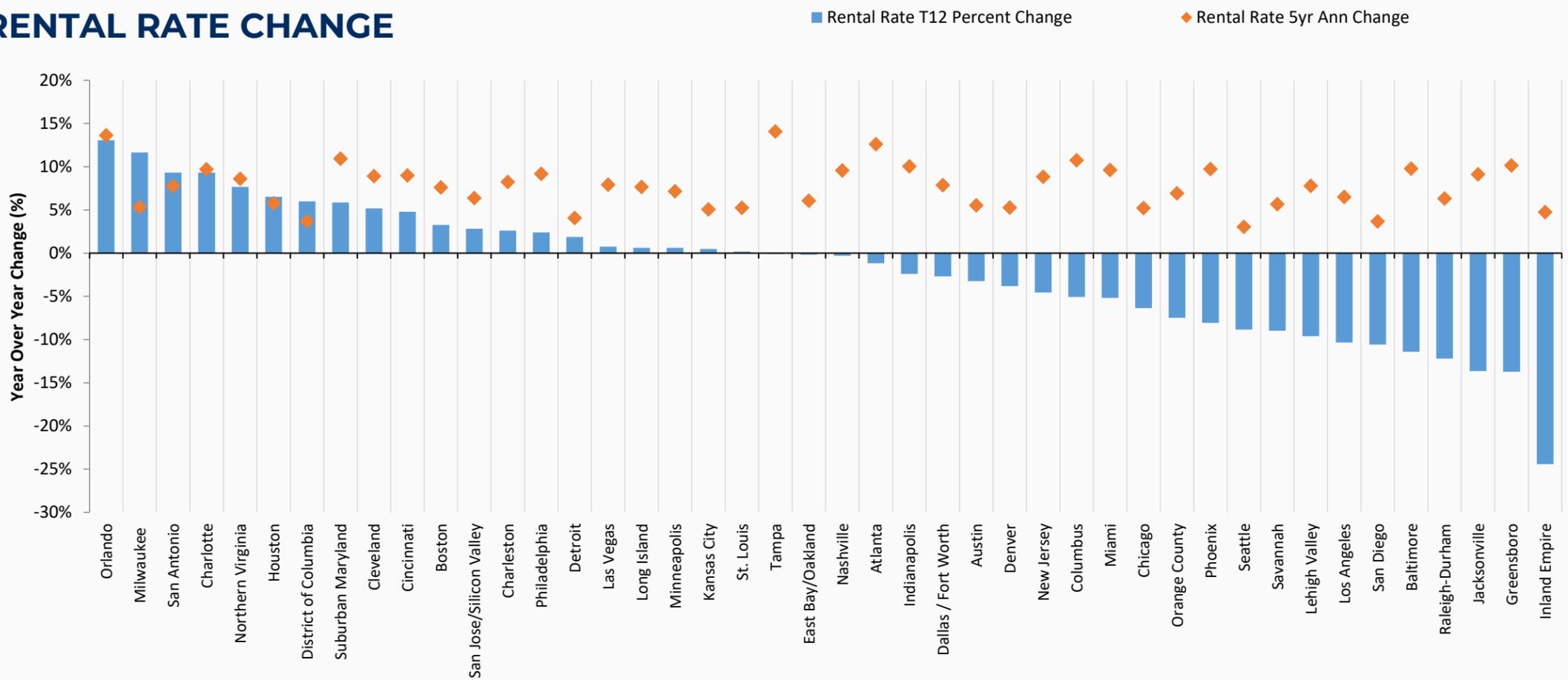
- Here, we consider 3-year net absorption as a percent of stock. A higher percentage indicates that a market is more expansionary.
- Four of the top five and nine of the top 10 markets for expansion were in the Sun Belt, accompanied by Northern VA.

### RENTAL RATES (NNN)



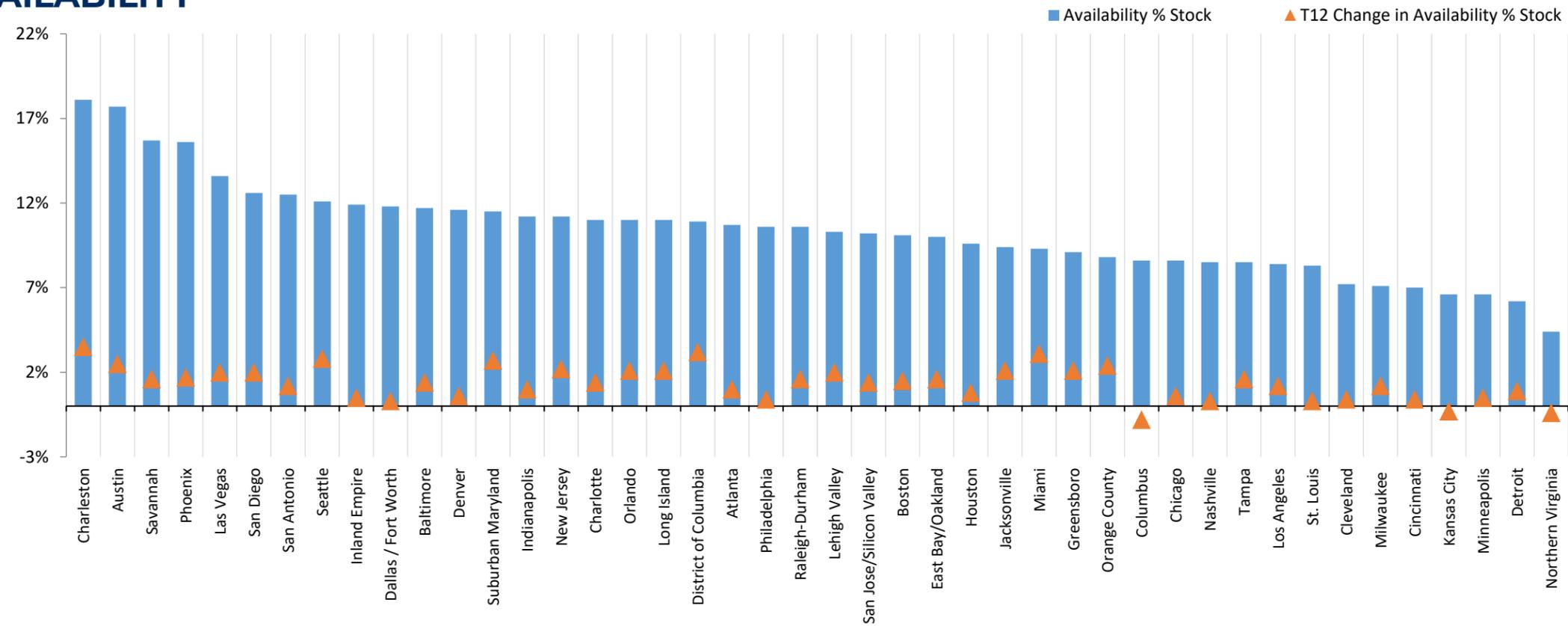
- The top nine markets with the highest rental rates are located in the largest coastal shipping port regions.
- Of the nine coastal markets with the highest asking rates, five experienced rent decreases over the past 12 months: San Diego, Los Angeles, Orange County, Miami, and East Bay-Oakland.

### RENTAL RATE CHANGE



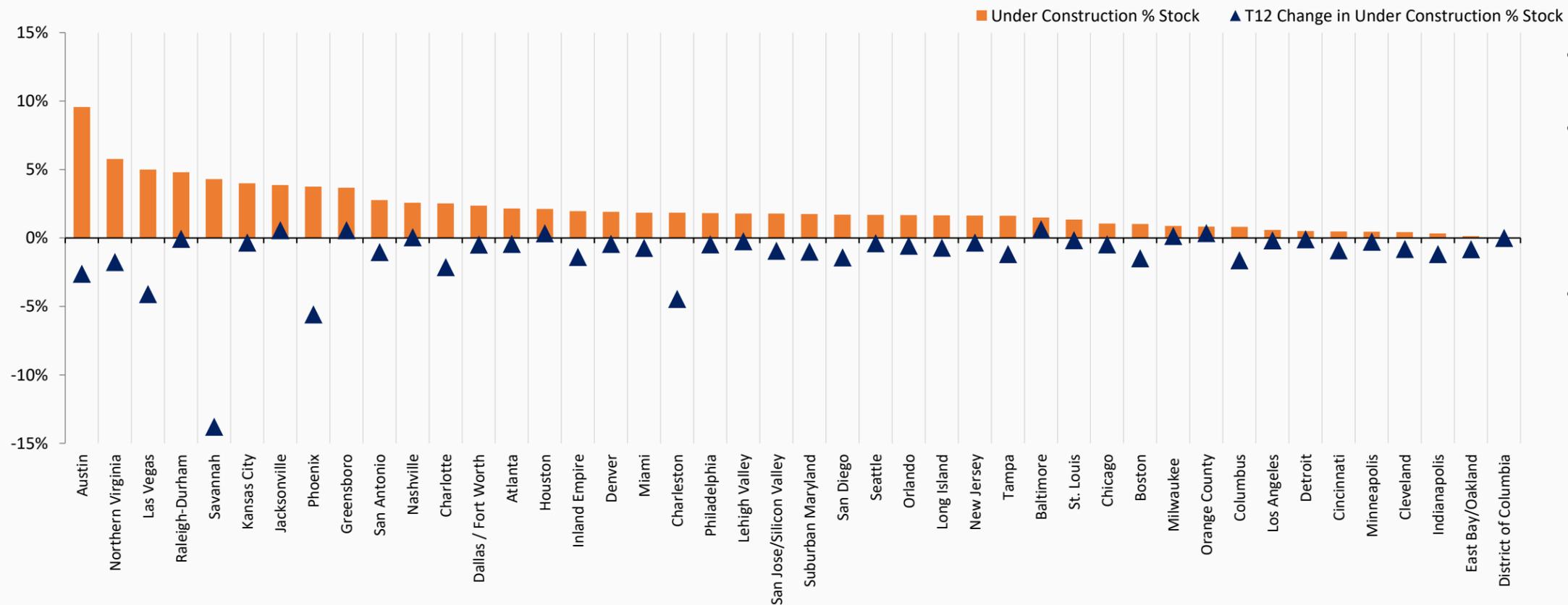
- Only two markets experienced rent growth over 10% YoY, down from 16 when compared to the same quarter a year ago.
- Alternatively, 24 markets recorded a decline in rent over the past year, compared to 20 the previous quarter as an increase in supply and rising vacancies are balancing the market.

### AVAILABILITY



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

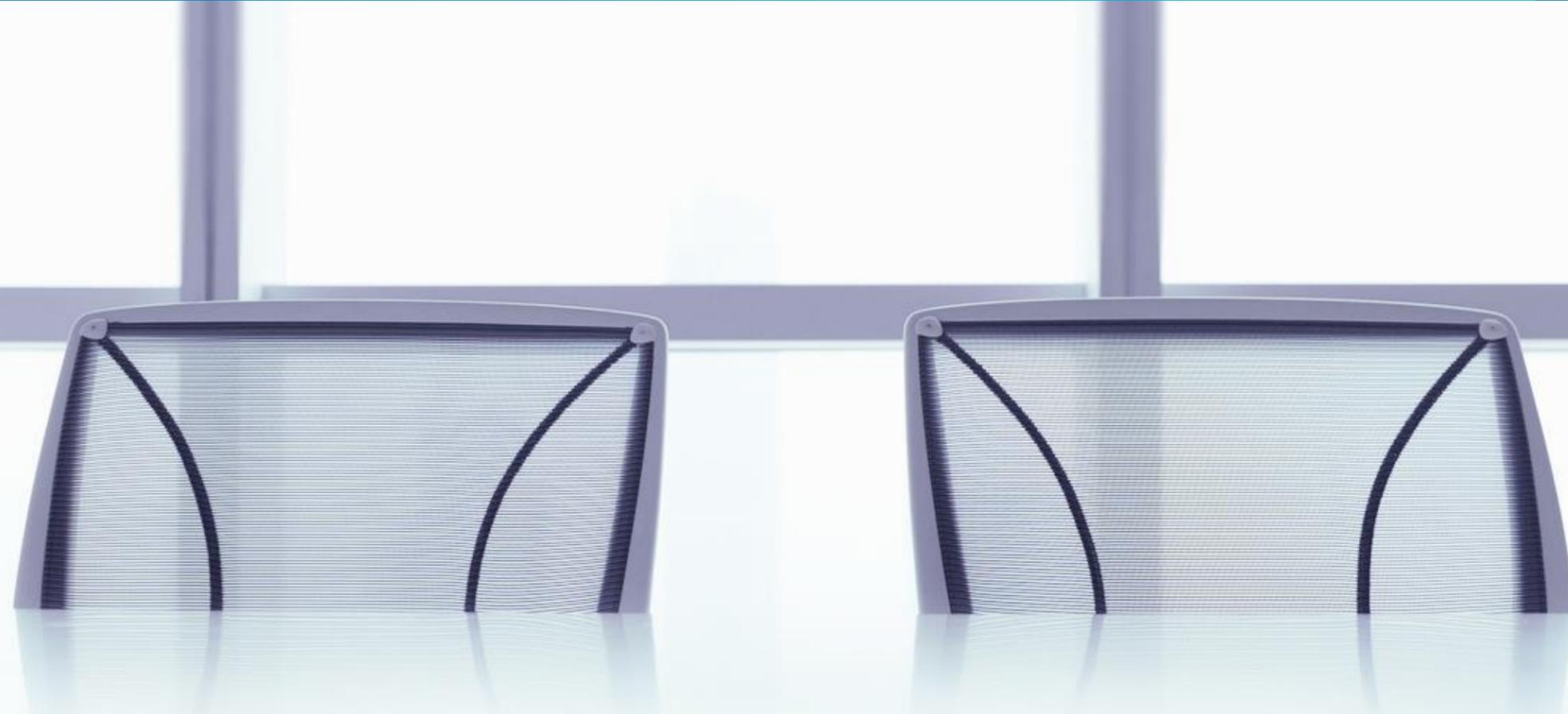
### CONSTRUCTION PIPELINE



- 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 86% of 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	799,374,597	8.2%	7.5%	77,297	4,902,795	\$9.29	-1.2%	17,191,624
Austin	153,869,877	12.4%	11.7%	1,951,114	6,374,438	\$14.65	-3.2%	14,708,722
Baltimore	238,040,704	8.5%	7.7%	(1,047,953)	(1,668,094)	\$10.24	-11.4%	3,564,593
Boston	346,289,749	8.0%	7.1%	(509,622)	93,822	\$13.95	3.3%	3,550,217
Charleston	106,036,408	17.2%	14.3%	810,370	(1,259,715)	\$8.63	2.6%	1,954,927
Charlotte	371,307,158	9.6%	8.8%	1,732,027	5,692,438	\$8.22	9.3%	9,368,380
Chicago	1,431,951,556	5.8%	5.2%	692,426	8,106,466	\$7.07	-6.4%	15,133,118
Cincinnati	346,363,452	5.4%	5.2%	1,109,741	2,683,249	\$6.57	4.8%	1,633,124
Cleveland	385,424,472	5.7%	5.4%	1,568,723	2,623,190	\$6.50	5.2%	1,633,124
Columbus	368,248,030	7.5%	7.1%	2,140,554	7,004,494	\$6.57	-5.1%	2,997,489
Dallas-Fort Worth	1,136,426,914	9.4%	8.7%	8,245,538	28,165,227	\$9.40	-2.7%	26,865,619
Denver	266,279,696	8.4%	7.7%	436,497	3,567,479	\$11.07	-3.8%	5,080,964
Detroit	588,401,983	4.7%	4.2%	(1,887,107)	(1,679,454)	\$7.61	1.9%	2,961,490
District of Columbia	8,669,471	10.0%	9.6%	(148,606)	(385,563)	\$17.72	6.0%	0
East Bay-Oakland	257,340,040	8.5%	7.0%	333,269	(3,396,177)	\$18.34	-0.2%	360,479
Greensboro	163,475,674	5.6%	5.1%	1,108,891	1,806,768	\$8.68	-13.7%	6,006,421
Houston	774,271,056	6.8%	6.5%	1,049,739	15,791,169	\$9.66	6.5%	16,378,277
Indianapolis	410,742,490	9.7%	8.3%	2,313,856	4,125,979	\$6.54	-2.4%	1,340,636
Inland Empire	747,611,474	7.3%	5.7%	3,398,424	16,218,101	\$11.45	-24.4%	14,706,183
Jacksonville	154,401,761	5.7%	5.2%	1,220,563	1,969,144	\$8.67	-13.6%	5,959,421
Kansas City	342,094,795	4.5%	3.9%	4,990,742	10,338,546	\$6.07	0.5%	13,648,643
Las Vegas	177,784,366	10.7%	9.9%	1,918,640	4,985,129	\$13.42	0.8%	8,873,651

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	164,250,531	7.4%	6.6%	(462,135)	(1,708,638)	\$8.65	-9.6%	2,937,155
Long Island	211,683,423	7.8%	6.9%	74,152	(620,991)	\$8.00	0.6%	3,497,595
Los Angeles	868,382,547	6.1%	5.3%	2,994,201	(4,167,118)	\$18.23	-10.3%	5,031,822
Miami	253,147,615	6.0%	5.4%	149,835	(1,237,389)	\$16.53	-5.2%	4,681,344
Milwaukee	254,983,698	4.9%	4.7%	(2,148,699)	(2,752,299)	\$5.85	11.6%	2,222,403
Minneapolis	412,814,542	3.9%	3.6%	1,763,104	3,447,838	\$8.26	0.6%	1,882,829
Nashville	260,682,567	5.6%	4.8%	472,830	3,787,479	\$9.91	-0.3%	6,695,294
New Jersey	802,082,683	7.0%	6.3%	(551,374)	2,839,437	\$13.23	-4.5%	13,116,737
Northern Virginia	139,081,553	4.0%	3.5%	1,689,071	5,073,208	\$16.83	7.7%	8,022,764
Orange County	274,288,102	6.0%	5.1%	(621,565)	(3,469,387)	\$18.45	-7.5%	2,287,017
Orlando	192,117,122	8.6%	7.7%	(904,831)	(6,201)	\$12.89	13.1%	3,211,497
Philadelphia	600,189,264	8.1%	7.7%	966,621	6,315,591	\$10.71	2.4%	10,886,107
Phoenix	470,131,606	13.0%	11.4%	5,379,632	17,137,829	\$12.22	-8.1%	17,608,771
Raleigh-Durham	151,068,247	7.0%	6.3%	2,010,659	3,685,402	\$11.00	-12.2%	7,265,571
San Antonio	166,925,554	10.3%	10.0%	525,591	1,593,548	\$8.91	9.3%	4,610,318
San Diego	191,891,189	9.1%	7.8%	(573,464)	(1,497,426)	\$19.72	-10.6%	3,252,150
San Jose-Silicon Valley	187,796,567	8.5%	7.5%	(532,281)	1,328,647	\$18.66	2.8%	3,353,162
Savannah	137,986,608	12.0%	10.2%	1,377,339	18,669,386	\$6.79	-9.0%	5,943,246
Seattle	337,240,468	8.0%	7.0%	701,537	2,191,103	\$12.68	-8.8%	5,670,623
St. Louis	323,634,511	3.9%	3.6%	1,088,908	5,168,987	\$5.85	0.2%	4,334,764
Suburban Maryland	119,253,169	8.6%	7.9%	310,495	605,048	\$15.54	5.9%	2,080,821
Tampa	198,097,414	6.3%	6.0%	(47,712)	2,822,445	\$11.54	-0.1%	3,194,010



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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.