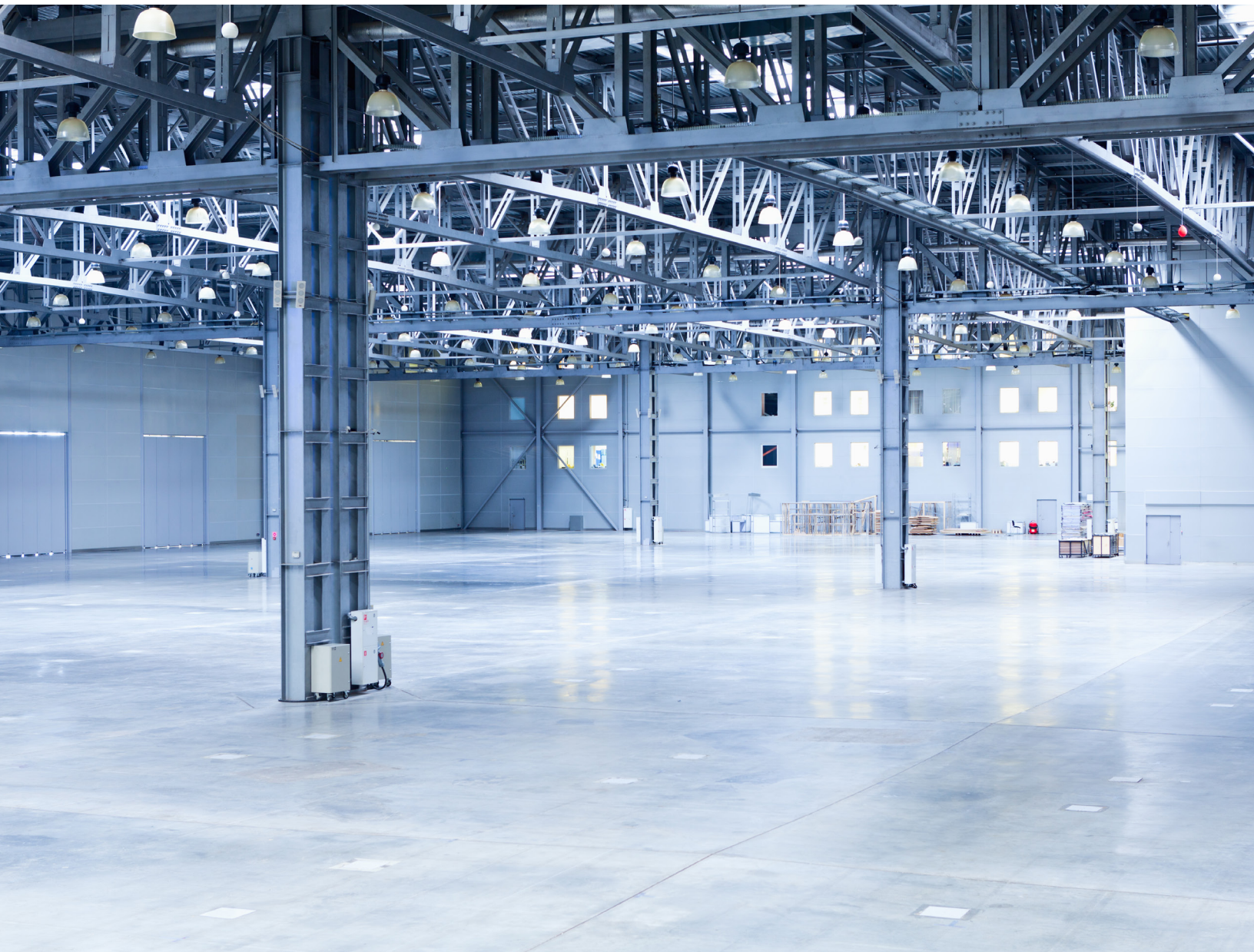




Yardi[®] Matrix

National Industrial Report

July 2021



Investor Demand Drives Up Sales Prices

- Industrial may be the hottest asset class in all of commercial real estate right now. E-commerce leapt to prominence during the pandemic and now represents more than 17% of core retail sales, a figure only expected to grow in coming years. As work, socializing, schooling and communication have moved online over the last 16 months, data center demand has continued to grow. A recovering economy has boosted consumer demand for goods, leading to busy ports and driving the need for last mile and cold storage facilities. These factors have converged to propel investor interest in industrial assets to new heights. Already, Yardi Matrix has logged \$23.3 billion of sales so far this year, putting 2021 on pace to surpass 2020's record \$45.0 billion in transactions.
- Record sales volume this year would not be driven by an increase in the total number of sales but rather due to a rise in average sales prices. In the second quarter, industrial buildings traded at \$113 per square foot, an increase of 13.3% quarter-over-quarter and a staggering 30.6% year-over-year. The growth of sales prices has not solely been a response to the increase in demand for industrial assets, although the pandemic did accelerate the trend. Rather, the run-up began in the second half of the last decade. In the first quarter of 2016, the average price of an industrial building was \$62 per foot. Prices increased nearly 40% by the first quarter of 2020 to \$86 per foot.
- Average sales prices have increased the most in New Jersey (from \$134 per foot in 2020 to \$202 this year, a 51% increase), Orange County (\$224 to \$322, 44%) and Denver (\$119 to \$164, 39%). In New Jersey, 10Edison, a 900,000-square-foot building leased to Amazon, sold for \$274 per foot. Orange County's priciest sale so far this year was CBRE Global Investors' acquisition of Irvine Crossings at \$457 per foot. The complex, fully leased to Amazon and a data center, sold at \$119 per foot in 2011.
- The number of institutions looking to get into the industrial sector for the first time or increase their allocation could be driving up prices, as well. Greystar, known for its large rental housing portfolio, recently acquired the remaining 55% stake in Thackeray Partners, which specializes in both multifamily and industrial, after taking a 45% stake last year, saying it looks to "capitalize on growth opportunities in the industrial space." Other firms entering into industrial include Velocis, Rockpoint Group, Alliance Residential Co. and Rising Realty Partners. In addition to brand-new firms, private equity giant Blackstone has spent recent years massively expanding its industrial footprint and now has a major stake in the sector under the moniker Link Logistics, which operates more than 400 million square feet.

