# National Industrial Report

January 2022

# Demand for Cold Storage Facilities Increases During Pandemic

- E-commerce has surged during the past two years, driving red-hot demand for industrial space. Refrigerated warehouses in particular have experienced strong demand due to recent lifestyle changes and other factors related to the COVID-19 pandemic. Growing consumer preferences for grocery deliveries and meal kits—which have increased in popularity as people have opted to cook at home rather than eat out during the pandemic—have expanded the need for well-located cold storage facilities, as companies look to store fresh food closer to population centers. Pharmaceutical companies have also utilized cold storage facilities for both raw materials and finished products, such as the COVID-19 vaccine.

- Cold storage properties, especially those closely located to large population centers, are being targeted by investors. They accounted for $2.0 billion in sales volume in 2021, trading at an average sales price of $157 per foot, 40% higher than the overall national average price of $112 per foot. A multi-tenant building at 55-30 46th St. in Queens, N.Y., was acquired by EverWest Real Estate Investors for $57 million, a staggering $812 per square foot. The building is fully leased to food distributors and is located next to I-278 and I-495, offering access to all five New York City boroughs. In Anaheim, Calif., JP Morgan paid $115 million—$408 per foot—for 4633 E. La Palma Ave., a warehouse leased to Straub Distributing, an Anheuser-Busch and craft beer distributor.

- There are 6.7 million square feet of new cold storage space under construction in the markets covered by Yardi Matrix, and 10.3 million square feet in the planning stages. Dallas-Fort Worth in particular is seeing a surge of cold storage development. Kroger is building an automated warehouse larger than 500,000 square feet in Dallas to fulfill online grocery orders. Two speculative cold storage facilities are also coming to the market: the 403,000-square-foot DFW Freezer Warehouse in Burleson and the 375,000-square-foot CCS Denton.

- Developers may find themselves facing significant headwinds as they add new cold storage supply. Labor and material shortages are impacting construction of all types, and cold storage developers will be competing for resources. Specific to cold storage, a magnesium shortage could pose a significant challenge. Magnesium, a key component in cold storage construction, is in short supply. China produces 87% of the world's magnesium but has recently slowed production in an effort to curb carbon dioxide emissions, causing global prices to spike in recent months.

## Rents and Occupancy: Port Markets Continue to Lead Nation in Growth

- National rents for industrial space averaged $6.40 per square foot in December, growing 5.1% over the last 12 months.
- Rent growth continued to be highest in Southern California, with a record number of containers coming through the ports of Los Angeles and Long Beach driving demand in the region. Three of the top four markets for rent growth in 2021 were in the region. The Inland Empire (6.3%) had the highest rent growth over the last 12 months, followed by Los Angeles (6.2%) and Orange County (5.1%) in fourth. Nearby, Central Valley was third in rent growth at 5.6%. With a few exceptions, port markets—particularly those in Southern California—lead all rent and vacancy metrics.
- The average rate of a lease signed in the last 12 months was $7.28 per square foot, 14% higher (88 cents) than the overall average rental rate, demonstrating the hot demand for industrial space and the high premiums tenants are paying for new leases as a result.
- The highest spread between the cost of a new lease and the market average was in the Inland Empire, where a new lease cost 38% more than the market average ($2.48 per square foot), followed by Central Valley (32%, $1.71), New Jersey (30%, $2.44) and Boston (28%, $2.28).
- The national vacancy rate was 5.7% in December, unchanged from the previous month.
- Space is scarcely available in the Inland Empire—which had a 0.9% vacancy rate—and not much more can be found in the other parts of Southern California. Los Angeles (2.8%) and Orange County (3.8%) had vacancy rates well below the national average in December. Outside of port markets, the other locations with the lowest vacancy rates in December were Midwestern logistics hubs—Columbus had only 2.5% of space available and Indianapolis, 3.8%.

### Average Rent by Metro

| Market | Dec-21 Average Rent | 12-Month Change | Avg Rate Signed in Last 12 Months | Vacancy Rate |
|---|---|---|---|---|
| National | $6.40 | 5.1% | $7.28 | 5.7% |
| Inland Empire | $6.54 | 6.3% | $9.02 | 0.9% |
| Los Angeles | $10.28 | 6.2% | $12.32 | 2.8% |
| Central Valley | $5.29 | 5.6% | $7.00 | 4.4% |
| Orange County | $11.63 | 5.1% | $13.98 | 3.8% |
| Nashville | $5.05 | 5.1% | $6.35 | 4.0% |
| New Jersey | $8.02 | 5.0% | $10.46 | 3.8% |
| Portland | $7.96 | 4.6% | $8.28 | 6.0% |
| Bay Area | $10.93 | 4.2% | $12.11 | 6.0% |
| Atlanta | $4.63 | 4.0% | $5.24 | 4.7% |
| Seattle | $9.02 | 3.9% | $9.17 | 8.6% |
| Cincinnati | $4.10 | 3.7% | $4.24 | 10.3% |
| Philadelphia | $6.30 | 3.7% | $6.59 | 5.1% |
| Baltimore | $6.66 | 3.6% | $7.32 | 6.3% |
| Dallas | $4.79 | 3.6% | $5.46 | 4.9% |
| Detroit | $5.73 | 3.5% | $6.65 | 7.6% |
| Boston | $8.08 | 3.4% | $10.36 | 10.4% |
| Memphis | $3.40 | 3.3% | $3.33 | 6.6% |
| Twin Cities | $5.92 | 3.3% | $6.60 | 7.4% |
| Miami | $8.78 | 3.0% | $9.90 | 4.6% |
| St. Louis | $4.03 | 2.8% | $4.02 | 6.5% |
| Phoenix | $7.01 | 2.7% | $7.16 | 5.5% |
| Charlotte | $6.06 | 2.5% | $6.36 | 6.9% |
| Tampa | $6.37 | 2.4% | $7.07 | 7.3% |
| Columbus | $3.94 | 2.3% | $3.88 | 2.5% |
| Chicago | $5.33 | 2.1% | $5.90 | 5.8% |
| Indianapolis | $3.99 | 2.0% | $4.12 | 3.8% |
| Kansas City | $4.29 | 1.9% | $4.64 | 4.1% |
| Denver | $7.86 | 1.5% | $7.11 | 10.4% |
| National | $6.40 | 5.1% | $7.28 | 5.7% |

*Source: Yardi Matrix. Data as of December 2021. Rent data provided by Yardi Market Insight. National rent and occupancy data is a weighted average of the top 30 markets.*

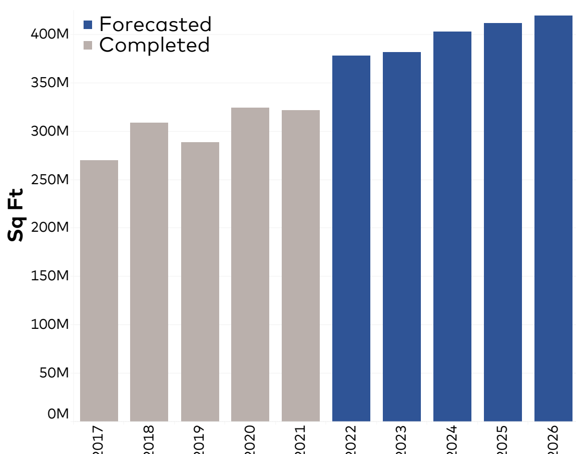
# Supply:
# Phoenix Boom Shows No Sign of Abating

- Nationally, 321.8 million square feet of new industrial stock was completed in 2021, according to Yardi Matrix. This figure will increase in coming months due to a lag in collecting supply data, making it probable that 2021 will surpass 2020's total of 324.1 million and set a new annual record for industrial development.

- Phoenix is the leading market for new industrial supply, with 10.3 million square feet delivered in 2021 and 33.7 million over the last three years, increasing stock by more than 11% during that time. This is a market that will continue to boom—Phoenix's 32.6 million square feet account for nearly 6% of the national new-supply pipeline despite comprising less than 3% of existing national stock, and the market has an additional 53.1 million square feet in the planning stages.

- Despite a robust pipeline, there are still headwinds for developers looking to bring new industrial product to the market—both the materials needed to build new properties and the labor are in short supply. Construction employment still hasn't recovered to prepandemic levels, but even more pressing than labor shortages are persistent supply-chain issues that have made raw materials more volatile in both price and availability.

## National New Supply Forecast




*Source: Yardi Matrix. Data as of December 2021*

## Supply Pipeline (by metro)

| Market | Under Construction | Under Construction % Stock | UC Plus Planned % Stock |
|---|---|---|---|
| National | 572,779,947 | 3.4% | 6.9% |
| Phoenix | 32,628,655 | 11.8% | 31.0% |
| Indianapolis | 23,838,320 | 7.7% | 13.1% |
| Philadelphia | 11,975,381 | 3.0% | 11.9% |
| Kansas City | 11,846,669 | 4.8% | 10.5% |
| Charlotte | 12,944,104 | 4.6% | 10.4% |
| Dallas | 37,756,303 | 4.6% | 10.2% |
| Inland Empire | 26,608,641 | 4.5% | 9.6% |
| Columbus | 14,248,607 | 5.3% | 7.5% |
| Denver | 9,692,890 | 4.0% | 6.7% |
| Memphis | 11,282,081 | 4.2% | 6.6% |
| Seattle | 10,720,178 | 4.0% | 6.5% |
| Nashville | 7,947,225 | 4.1% | 6.4% |
| Chicago | 27,209,005 | 2.8% | 5.7% |
| Houston | 16,330,327 | 3.0% | 5.6% |
| New Jersey | 12,305,007 | 2.3% | 5.2% |
| Central Valley | 7,614,821 | 2.4% | 4.7% |
| Atlanta | 11,482,783 | 2.2% | 4.5% |
| Tampa | 5,076,394 | 2.4% | 4.5% |
| Bay Area | 4,971,287 | 1.8% | 4.0% |
| Baltimore | 3,471,905 | 1.7% | 4.0% |
| Twin Cities | 4,096,556 | 1.3% | 3.7% |
| Boston | 6,385,454 | 2.8% | 3.7% |
| Portland | 3,978,289 | 2.2% | 3.4% |
| Detroit | 10,102,382 | 1.9% | 3.0% |
| Cincinnati | 6,060,505 | 2.3% | 2.9% |
| Los Angeles | 4,309,169 | 0.6% | 2.4% |
| Bridgeport | 2,094,634 | 1.0% | 2.3% |
| Orange County | 1,969,531 | 1.1% | 1.6% |
| Cleveland | 2,865,566 | 0.8% | 1.3% |

*Source: Yardi Matrix. Data as of December 2021*

# Economic Indicators: Inflation Hits Producers

- Prices paid to producers increased 0.2% in December, and the Producer Price Index (PPI) decelerated from 1.0% growth in November. Despite slowing growth, year-over-year the PPI was 9.7% higher than December 2020. This was the second-highest yearly growth figure—behind only November 2021's 9.8%—since the Labor Department started producing the index in 2010. Core PPI, which excludes food and energy components, increased 0.5% during the month and 8.3% year-over-year. Supply-chain disruptions are expected to continue over the coming months, due to many workers contracting the omicron variant and missing time from work.

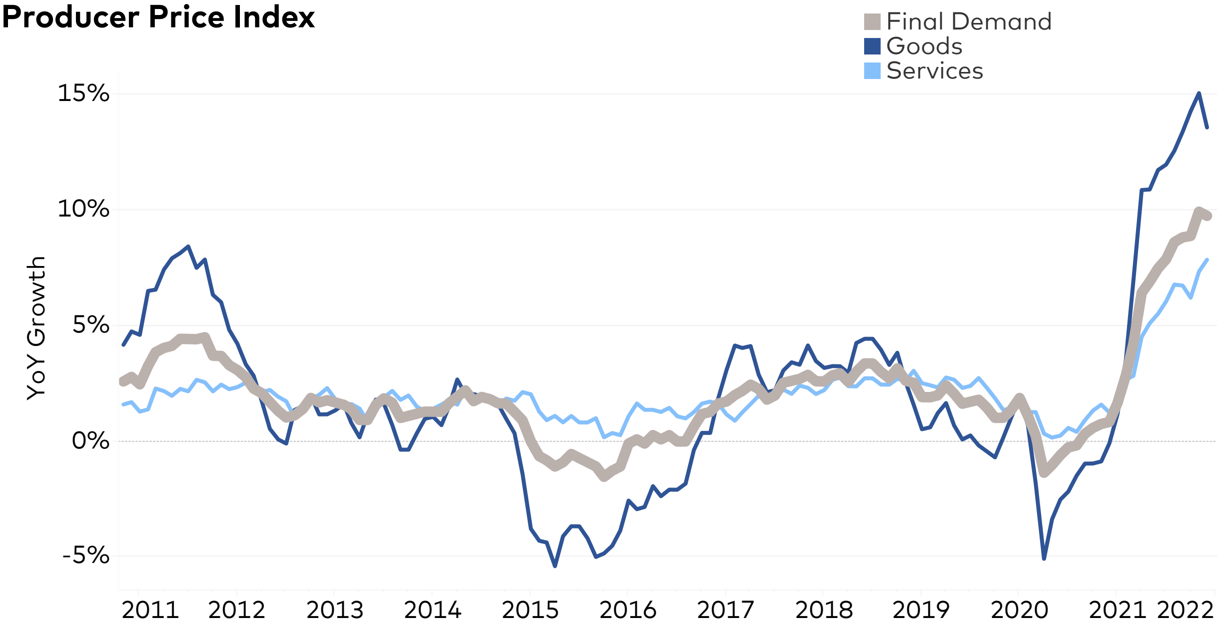
- The final demand services portion of the PPI—which includes trade, transportation and warehousing—increased by 0.5% during the month and 7.9% year-over-year. Final demand goods decreased by 0.4% during the month but increased 13.6% year-over-year. The decrease was the first since the beginning of the pandemic, driven by food and energy prices falling during the month.

## Economic Indicators

| | |
|---|---|
| **National Employment** (December) 149.0M 0.1% MoM ▲ 4.5% YoY ▲ | **ISM Purchasing Manager's Index** (December) 58.7 -2.4 MoM ▼ -1.8 YoY ▼ |
| **Inventories** (October) $2,127.5B 1.2% MoM ▲ 7.8% YoY ▲ | **Imports** (November) $254.9B 5.1% MoM ▲ 19.7% YoY ▲ |
| **Core Retail Sales** (November) $458.5B 0.2% MoM ▲ 16.5% YoY ▲ | **Exports** (November) $155.9B -1.8% MoM ▼ 23.0% YoY ▲ |

*Sources: Bureau of Labor Statistics; Institute for Supply Management, U.S. Census Bureau; Bureau of Economic Analysis; Moody's Analytics*

## Producer Price Index




*Sources: U.S. Census Bureau, Yardi Matrix*

# Transactions:
# Record-Setting 2021 Sales Volume

- Nationally, $71.0 billion of industrial transactions were completed last year, according to Yardi Matrix. Already, this year's sales volume is 47% higher than 2020's figure of $48.3 billion, a gap that will increase in the next couple of months as all year-end sales data is collected.

- The average sale price of industrial buildings continued to climb upward in the fourth quarter of 2021, reaching $129 per square foot. For the year, industrial properties averaged $112 per square foot, a 29% increase over 2020.

- Increased sales volume was widespread in 2021, with more than two-thirds of markets covered by Yardi Matrix seeing an increase in total volume compared to 2020. The markets that saw the largest increase in sales volume were Los Angeles ($2.9 billion more than 2020), the Inland Empire ($2.0 billion), Chicago ($1.8 billion) and Phoenix ($1.6 billion).

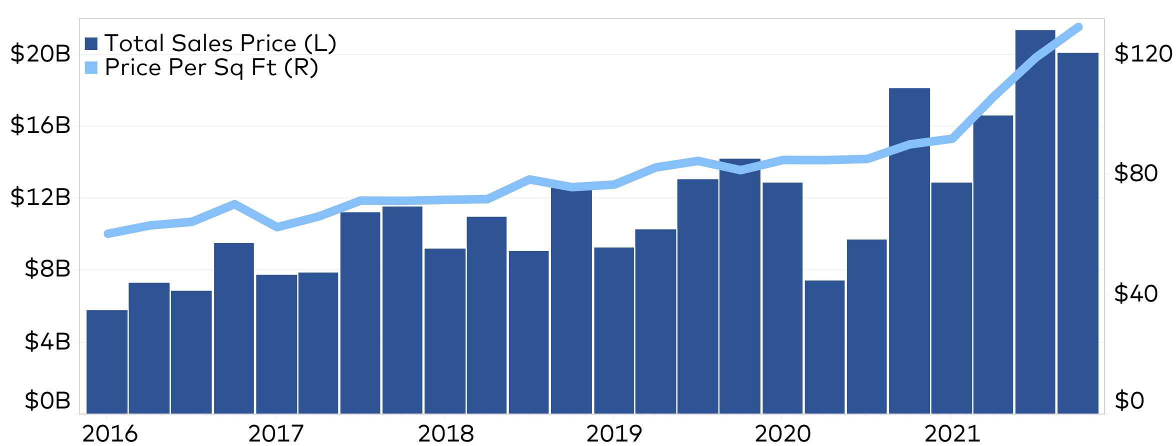
- The markets with the highest price per square foot in 2021 were Los Angeles ($298 per square foot), Orange County ($290), the Bay Area ($243) and Seattle ($199).

## Sales Activity

| Market | YTD Sales Price PSF | YTD Sales (Mil, as of 12/31) |
|---|---|---|
| National | $112 | $70,964 |
| Los Angeles | $298 | $6,607 |
| Chicago | $80 | $4,552 |
| Inland Empire | $177 | $4,301 |
| Phoenix | $152 | $3,824 |
| New Jersey | $191 | $3,117 |
| Atlanta | $84 | $2,614 |
| Bay Area | $243 | $2,201 |
| Philadelphia | $89 | $2,097 |
| Boston | $143 | $1,972 |
| Denver | $190 | $1,850 |
| Tampa | $113 | $1,635 |
| Seattle | $199 | $1,612 |
| Orange County | $290 | $1,306 |
| Columbus | $63 | $1,302 |
| Baltimore | $109 | $1,145 |
| Twin Cities | $86 | $1,024 |
| Charlotte | $89 | $1,002 |
| Dallas | $87 | $871 |
| Houston | $84 | $837 |
| Central Valley | $96 | $784 |
| Nashville | $106 | $697 |
| Memphis | $47 | $642 |
| Cleveland | $44 | $554 |
| Indianapolis | $61 | $550 |
| Kansas City | $73 | $526 |
| Cincinnati | $62 | $457 |
| Bridgeport | $52 | $347 |
| Portland | $149 | $345 |
| Detroit | $61 | $236 |

*Source: Yardi Matrix. Data as of December 2021*

## Quarterly Transactions




*Source: Yardi Matrix. Data as of December 2021*

# Definitions

Yardi Matrix collects listing rate and occupancy data using proprietary methods.

- Average Rents—Provided by Yardi Matrix Expert, a cutting-edge service that uses anonymized and aggregated data from other Yardi platforms to provide the most accurate rental and expense information available.
- Vacancy—The total square feet vacant in a market, including subleases, divided by the total square feet of office space in that market. Owner-occupied buildings are not included in vacancy calculations.

Stage of the supply pipeline:

- Planned—Buildings that are currently in the process of acquiring zoning approval and permits but have not yet begun construction.
- Under Construction—Buildings for which construction and excavation has begun.

Sales volume and price-per-square-foot calculations do not always include portfolio transactions or those with unpublished dollar values.

# Yardi® Matrix

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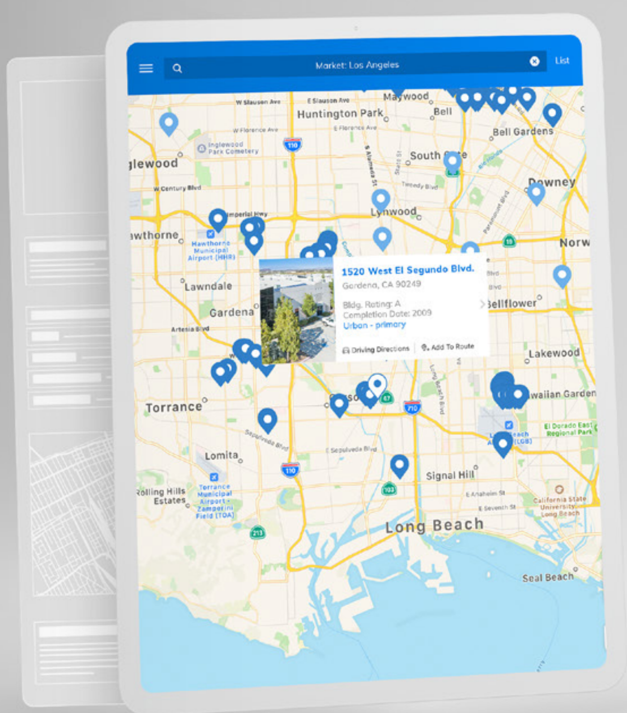


**Yardi Matrix Industrial** delivers comprehensive property-level data, allowing you to make informed business decisions faster than ever.

## Key features

- Active in 60+ major markets across the U.S., covering over 12 billion square feet
- Find acquisition prospects based on in-place loans, maturity dates, lenders and originators
- Pierce the LLC with true ownership and contact info
- Gain new supply pipeline information at the asset, competitive set and market level
- Benchmark performance to similar assets
- Access trend reports on sales, lease and listing comps as well as portfolios of owners, managers, buyers and sellers

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