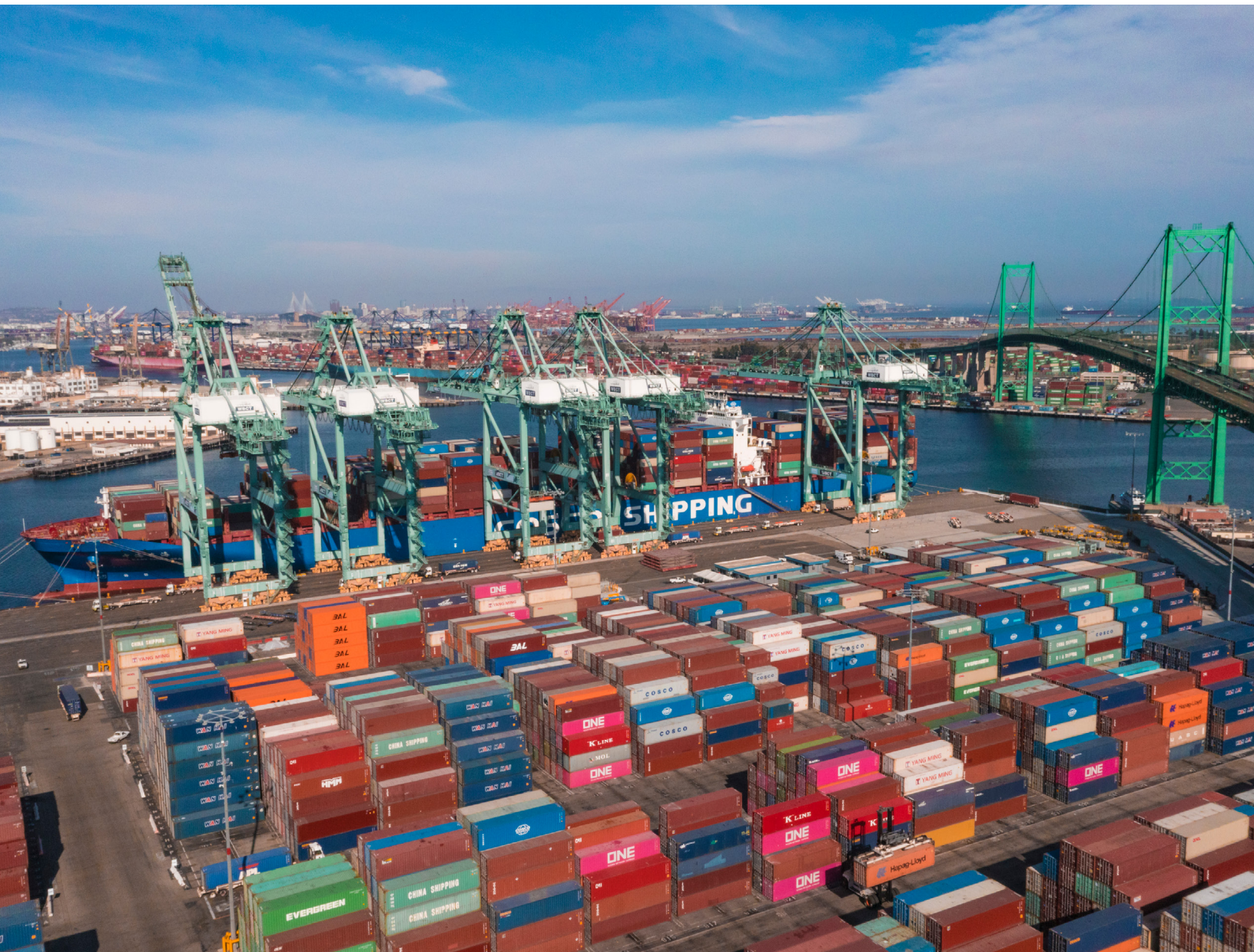




Yardi Matrix

National Industrial Report

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Vacancy, New Supply Drive Rent Growth

- Industrial space remains in big demand, causing tenants to pay increasingly higher rents for a shrinking amount of available space. The national vacancy rate was 4.1% in September and the average rent for in-place leases was \$6.88 per square foot, growing 5.8% over the past year. While rents are climbing and vacancies are falling virtually everywhere, markets adjacent to ports with a lack of land to build new supply are seeing the most extreme trends.
- Southern California—with the ports of Los Angeles and Long Beach among the busiest in the country—is the leading example. The markets with the highest marks for growth of in-place rents over the past 12 months were the Inland Empire (9.6%) and Los Angeles (9.1%), with Orange County not far behind (7.1%). On the East Coast, the New Jersey market—near the Port of New York and New Jersey—has seen rents grow 7.6%. These markets also have some of the lowest vacancy rates, with the Inland Empire at 1.1%, Los Angeles 2.0%, New Jersey 2.5% and Orange County 2.7%. As a result, tenants are paying hefty premiums for new leases in these markets. The average cost of a lease signed in the last 12 months in Los Angeles was \$17.39 per square foot, \$5.90 higher than the market average. The new lease rate in the Inland Empire was \$12.29 per foot (\$4.85 higher than the market average), in Orange County it was \$17.36 per foot (\$4.71 higher) and in New Jersey it was \$11.60 per foot (\$2.63 higher).
- New supply in these markets cannot keep pace with demand. Los Angeles has 2 million square feet under construction (0.3% of stock) and has delivered just 14.8 million square feet since the start of 2020. Orange County has 3.3 million under construction (1.8% of stock) and delivered 1.6 million in the last three years. While the Inland Empire has a large under-construction pipeline of 34.9 million feet (5.1% of stock) and delivered 54.4 million since 2020, it is not nearly enough to keep up with demand. Reports hint that much of the market's stock under construction is already leased. New Jersey has 15.7 million square feet under construction (2.9% of stock) and delivered 20.3 million since 2020.
- The relationship between rents, vacancy and new supply comes into focus when looking at Midwestern markets, especially those in high demand. Some markets, particularly centrally located logistics hubs like Indianapolis (2.3%) and Columbus (1.9%), have vacancy rates that can compete with the tightest port markets. However, these markets have not seen significant in-place rent growth—which was 3.0% in both markets—thanks to high levels of new supply. Indianapolis has 24.9 million square feet under construction (7.6% of stock) and has delivered 32.7 million over the last three years. Columbus has 17.7 million square feet being built (6.4% of stock) and has delivered 22 million feet since 2020.

