



Yardi Matrix

National Industrial Report

June 2024



Valuations Increase Despite Normalization

- Industrial valuation increases are proving to be sticky. The average sale price of an industrial asset has increased steadily during this decade and continues to grow this year, even as demand for space normalizes and transaction volume remains muted due to elevated interest rates.
- The national average sale price of an industrial property so far in 2024 is \$142 per square foot, 15.4% higher than last year and 71.2% higher than it was in 2019. The industrial boom that began in conjunction with the COVID-19 pandemic continues to reshape commercial real estate. With office assets trading at \$165 per foot in 2024, industrial prices are closer to office on a per-square-foot basis than ever before, a situation that would have seemed impossible just five years ago.
- Between 2019 and 2023, average sale prices more than doubled in three of the top 30 markets. Nashville increased from \$57 per foot to \$163 (an 186% increase), Inland Empire sale prices moved from \$121 to \$250 (107%) and Philadelphia grew from \$60 to \$122 (103%). Other markets with eye-popping increases were New Jersey (from \$117 per foot in 2019 to \$216 in 2023, an 85% increase), Charlotte (\$51 to \$93, 82%), Dallas-Fort Worth (\$72 to \$129, 79%) and the Bay Area (\$173 to \$308, 78%). In the early going of 2024, prices have slipped 10-20% from last year in some of those markets—Nashville, Inland Empire, Charlotte and Philadelphia—but have continued to increase in New Jersey, Dallas-Fort Worth and the Bay Area.
- It is noteworthy that sale price increases have persisted in the face of falling transaction volumes, a historic wave of new supply and an increased cost of capital. Valuations have continued to increase because they are still catching up to the lease rate growth of the last three years. The national average rate for all in-place leases sat at \$8.00 per square foot in May, an increase of 7.5% in the last twelve months. New leases signed in the last year averaged \$10.25 per square foot, and the premium paid for a new lease is much higher in the most in-demand markets.
- We anticipate that these price gains seen over the last few years will be sticky. The historic wave of new supply that has sent vacancy rates upward is petering out, with just 69.2 million square feet starting construction so far this year. While demand has normalized in recent quarters, the long-term outlook remains positive due to the nearshoring and reshoring of manufacturing.

