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.

Rents and Occupancy: Phoenix Rent Growth Solid

- National in-place rents for industrial space averaged $8.00 per square foot in May, an increase of four cents from April and up 7.5% over the past 12 months.

- Inland Empire had the highest rent growth once again, with in-place rents increasing 12.6% over the last twelve months. It was followed by Los Angeles (11.6%), Miami (11.4%) and New Jersey (9.6%). Phoenix (8.7%) was the fastest-growing market not adjacent to a shipping port. Phoenix has been a booming industrial market in recent years due to a variety of factors. Population growth in the market has been robust, increasing demand for industrial space. A six-hour drive from the Ports of Los Angeles and Long Beach, the market serves as a distribution hub for many firms looking for an outlet valve from overcrowding in Southern California. Data centers in the region have been booming, with such firms as Meta and Google building facilities. These factors have led manufacturers to target the market as well.

- The national vacancy rate was 5.6% in May, up 40 basis points from the previous month. Vacancy rates have been ticking up for more than a year due to slowing demand and a historic wave of new supply hitting the market.

- The average rate for new leases signed in the past 12 months was $10.25 per square foot, $2.25 more than the average for all leases. The largest premium for a new lease was in Miami, where tenants paid an average of $5.55 more per square foot than the market average when signing a new lease in the last twelve months. Tenants also paid hefty premiums for new leases in Los Angeles ($4.71 per foot), Inland Empire ($3.56), Tampa ($3.39) and Nashville ($3.26).

Average Rent by Metro

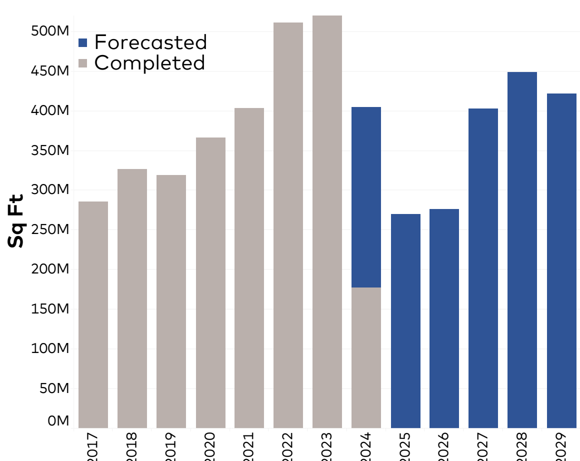
Market	May-24 Average Rent	12-Month Change	Avg Rate Signed in Last 12 Months	Vacancy Rate
National	$8.00	7.5%	$10.25	5.6%
Inland Empire	$10.19	12.6%	$13.75	6.6%
Los Angeles	$14.57	11.6%	$19.28	7.3%
Miami	$11.43	11.4%	$16.98	4.5%
New Jersey	$10.71	9.6%	$13.17	5.7%
Phoenix	$8.95	8.7%	$11.94	4.7%
Orange County	$15.49	8.6%	$17.75	4.8%
Seattle	$11.18	8.2%	$12.77	7.2%
Boston	$10.58	7.8%	$13.36	9.0%
Bridgeport	$10.58	7.8%	$12.71	4.0%
Nashville	$6.02	7.7%	$9.28	3.8%
Atlanta	$5.76	7.7%	$8.84	5.6%
Tampa	$7.76	7.3%	$11.15	6.7%
Baltimore	$7.99	6.8%	$8.52	6.5%
Dallas–Fort Worth	$5.95	6.6%	$9.00	5.3%
Central Valley	$6.25	6.5%	$9.09	4.1%
Columbus	$4.82	6.4%	$6.16	2.7%
Portland	$9.64	6.4%	$10.89	4.3%
Philadelphia	$7.76	5.9%	$9.94	4.7%
Charlotte	$6.75	5.8%	$9.82	4.1%
Cincinnati	$4.86	5.7%	$6.11	4.8%
Twin Cities	$6.86	5.4%	$7.36	5.6%
Memphis	$3.95	5.3%	$4.56	5.2%
Bay Area	$13.29	5.3%	$15.90	5.1%
Indianapolis	$4.68	5.2%	$7.25	4.7%
Denver	$8.35	4.6%	$8.51	8.4%
Houston	$6.60	4.4%	$8.02	8.0%
Chicago	$6.08	4.3%	$8.00	4.9%
Kansas City	$4.87	3.6%	$5.58	3.8%
Detroit	$6.95	3.6%	$6.70	4.9%
St. Louis	$4.89	3.4%	$5.28	7.1%

Source: Yardi Matrix. Data as of May 2024. Rent data provided by Yardi Market Insight. National rent and occupancy data is a weighted average of the top 30 markets.

Supply:
Atlanta Driven by Logistics, Manufacturing

- Currently, 381.3 million square feet of industrial space, representing 1.9% of stock, is under construction, according to Yardi Matrix.
- The under-construction pipeline continues to shrink as projects deliver and new starts are more sparse than they have been at any point in this decade. Since the start of the year, 177.8 million square feet have delivered, while 69.2 million square feet have started.
- While most markets have seen their pipeline shrink in the last year, Atlanta has seen a small uptick. The market remains in demand due to its central location relative to the Southeast's growing population and the major highways that connect the region. Currently, 5.5 million square feet is underway at logistics and distribution centers in the market, but it's not only logistics driving Atlanta development. More than 2 million square feet of the space under construction is manufacturing. Among these facilities are PepsiCo's 260,000-square- foot expansion in Stone Mountain; Renewal by Andersen's 638,000-square-foot building at the Cubes at Locust Grove; and the Intuitive Surgical Regional Headquarters, a 750,000- square-foot facility that will make robotic surgical equipment after the firm relocates its southeast operations from Durham.

National New Supply Forecast



Source: Yardi Matrix. Data as of May 2024

Supply Pipeline (by metro)

Market	Under Construction	Under Construction % Stock	UC Plus Planned % Stock
National	381,265,976	1.9%	4.9%
Phoenix	38,677,302	9.8%	23.1%
Kansas City	13,303,482	4.6%	16.9%
Memphis	10,000,000	3.4%	3.9%
Charlotte	9,523,370	3.0%	7.4%
Denver	7,916,286	2.9%	4.2%
Columbus	8,559,142	2.7%	4.3%
Central Valley	8,320,928	2.3%	3.0%
Philadelphia	8,564,643	1.9%	4.7%
Dallas–Ft Worth	17,331,217	1.8%	6.7%
Atlanta	10,081,904	1.8%	3.3%
Seattle	4,943,998	1.7%	4.5%
Bay Area	4,153,790	1.4%	5.5%
Indianapolis	4,761,203	1.3%	4.3%
Detroit	7,124,672	1.2%	2.3%
New Jersey	7,030,705	1.2%	3.0%
Houston	6,762,868	1.1%	4.4%
Tampa	3,031,121	1.1%	4.5%
Chicago	10,838,145	1.0%	2.2%
Portland	2,032,721	1.0%	2.2%
Nashville	1,739,723	0.8%	3.2%
Inland Empire	4,465,968	0.7%	7.4%
Cincinnati	2,043,197	0.7%	1.2%
Boston	1,879,391	0.7%	2.4%
Cleveland–Akron	2,486,696	0.6%	0.8%
Los Angeles	3,470,230	0.5%	2.2%
Baltimore	906,826	0.4%	1.7%
Orange County	787,108	0.4%	1.1%
Minneapolis	755,355	0.2%	1.1%
Bridgeport	274,000	0.1%	1.2%

Source: Yardi Matrix. Data as of May 2024

Economic Indicators:
E-Commerce Share of Retail Grows in First Quarter

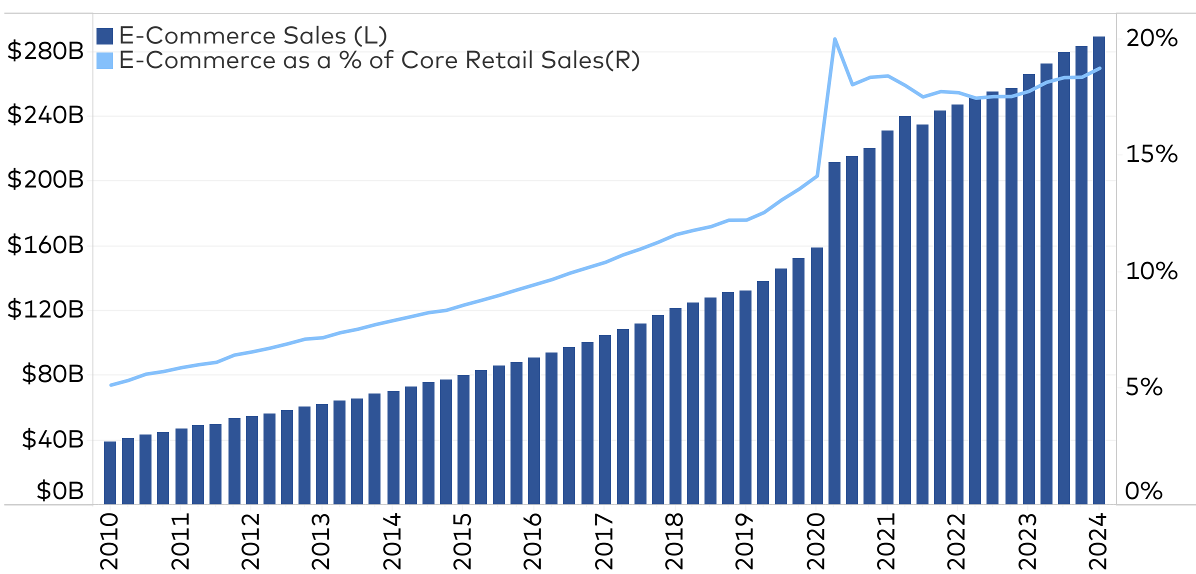
- E-commerce sales totaled $289.2 billion in the first quarter of 2024, according to the Census Bureau, increasing 2.1% in the quarter and 8.6% year-over-year. E-commerce's share of core retail sales increased from 18.3% to 18.8% in the quarter, the largest share since the second quarter of 2020. However, the big jump this quarter was due to core retail sales remaining virtually unchanged.
- As the e-commerce sector exploded during the early days of the pandemic, online retailers and logistics companies moved quickly to expand and keep up with demand. However, beginning in mid-2022, there was pullback as it became clear that there was some over-expansion. In 2024, it appears that e-commerce is growing once again. The Warehouse and Storage sector of the labor market has been slowly adding workers after shrinking for six consecutive quarters. Amazon, which was listing millions of square feet for sublease in 2022 and 2023, is now reported to be signing new leases again.

Economic Indicators

National Employment (May) 158.5M 0.2% MoM ▲ 1.8% YoY ▲	**ISM Purchasing Manager's Index** (May) 48.7 -0.5 MoM ▼ 2.1 YoY ▲
Inventories (March) $2,537.5B -0.1% MoM ▼ 0.6% YoY ▲	**Imports** (April) $271.9B 3.1% MoM ▲ 3.8% YoY ▲
Core Retail Sales (April) $514.7B -0.3% MoM ▼ 3.2% YoY ▲	**Exports** (April) $172.7B 1.3% MoM ▲ 3.9% YoY ▲

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

Quarterly E-Commerce Sales



Sources: U.S. Census Bureau, Yardi Matrix

Transactions:
New Jersey Prices Grow in 2024

- Industrial sales totaled $19.7 billion through May, according to Yardi Matrix data, with properties trading at an average of $142 per square foot. Despite an increased cost of capital and normalized demand, 17 of the top 30 markets covered by Yardi Matrix have seen average sale prices increase this year.

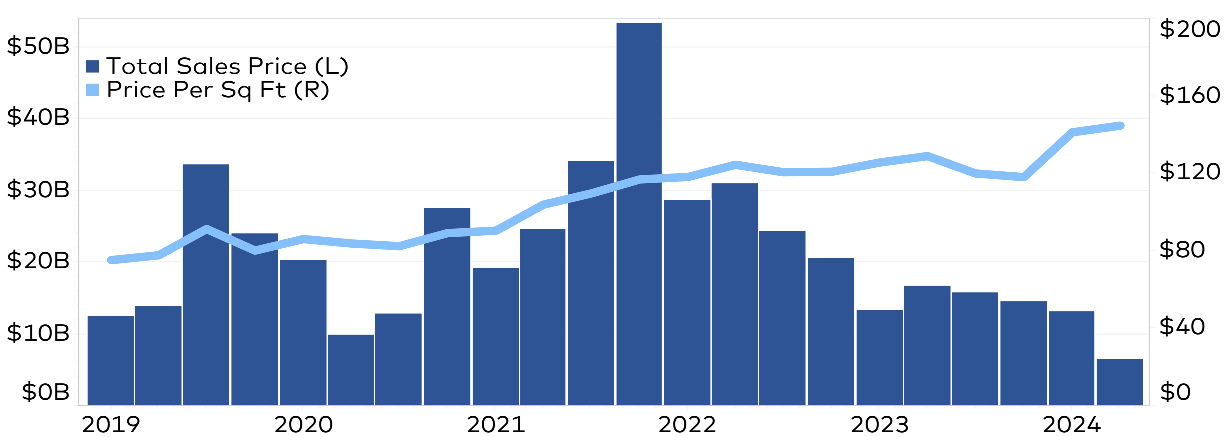
- New Jersey has tallied the fifth-most sales volume this year, with $753 million of transactions through May. Properties in the market have traded at an average of $272 per foot in 2024, a 26% increase over 2023. Investors continue to target the New Jersey market due to its proximity to the Port of New York and New Jersey—the third-busiest in the U.S.—and the population concentrated along the Northeastern Corridor. Since the start of 2022, 29 million square feet have delivered in the market (5.0% of stock), pushing the vacancy rate up to 5.7% in May. Despite the new space coming into the market, rent growth remains strong, with in-place rents growing 9.6% in the last twelve months. Due to a lack of land available for industrial facilities, even sites targeted for redevelopment can fetch a healthy price. The Jersey City site where the New York Daily News was once printed was purchased by Goodman Group for $92 million, or $206 per foot. Goodman Group plans to repurpose the site for a last-mile delivery facility.

Sales Activity

Market	YTD Sales Price PSF	YTD Sales (Mil, as of 5/31)
National	$142	$19,680
Bay Area	$582	$2,248
Dallas–Fort Worth	$152	$1,638
Los Angeles	$313	$1,571
Chicago	$91	$910
New Jersey	$272	$753
Phoenix	$160	$749
Inland Empire	$216	$709
Houston	$106	$673
Denver	$147	$585
Orange County	$319	$539
Seattle	$233	$433
Atlanta	$112	$407
Charlotte	$71	$381
Central Valley	$131	$350
Columbus	$79	$318
Tampa	$128	$275
Boston	$172	$227
Cincinnati	$82	$223
Twin Cities	$104	$195
Baltimore	$123	$158
Cleveland	$49	$114
Detroit	$72	$104
Nashville	$147	$99
Philadelphia	$95	$98
Portland	$212	$97

Source: Yardi Matrix. Data as of May 2024

Quarterly Transactions



Source: Yardi Matrix. Data as of May 2024

Definitions

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

- Average Rents—Provided by Yardi Market Insight, 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. Also provided by Yardi Market Insight.

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 for portfolio transactions or those with unpublished dollar values are estimated using sales comps based on similar sales in the market and submarket, use type, location and asset ratings, sale date and property size.

Yardi Matrix

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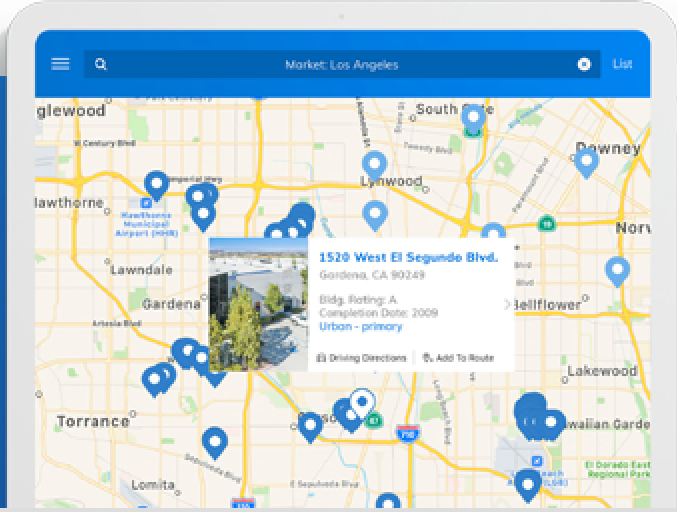
INDUSTRIAL KEY FEATURES

- Active in 107 markets across the U.S., covering over 16 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 at the asset and portfolio level
- Gain new supply pipeline information at the asset, competitive set and market level
- Anonymized transacted rents and expense comps



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Contact us

Contacts

Peter Kolaczynski
Manager, Commercial
Peter.Kolaczynski@Yardi.com
(800) 866-1124 x2410

Doug Ressler
Media Contact
Doug.Ressler@Yardi.com
(800) 866-1124 x2419

Matt Gleason
Senior Account Executive, Commercial
Matthew.Gleason@Yardi.com
(800) 866-1124 x7763

Author

Justin Dean
Senior Research Analyst

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