Yardi Matrix

National Industrial Report

September 2024

E-commerce Returns to Growth

- The e-commerce boom waned last year, and as a result, demand for industrial space began to soften. Now in 2024, the e-commerce sector appears to have rebalanced and is growing at a steady pace.

- The Census Bureau reported $291.6 billion of e-commerce sales in the second quarter, an increase of 1.3% over the first quarter and 6.7% year-over-year. E-commerce's share of core retail sales (which exclude motor vehicles, their parts and gasoline) had stagnated during most of 2021 and 2022, but has been on the upswing for six consecutive quarters; it reached 18.8% in the second quarter, the highest mark since the height of pandemic-related shutdowns. The warehouse and storage sector of the labor market has been growing again as well, according to the Bureau of Labor Statistics, with 24,900 jobs added year-to-date through August. While these are modest gains for a sector that employs nearly two million workers, they are also a welcome development after warehouse employment shrank by 8.5% between May 2022 and December 2023.

- The trends in warehouse employment, which exploded between 2020 and mid-2022, reflect Amazon's path. The e-commerce behemoth is the sector's largest employer, and any moves it makes have substantial ripple effects. Starting in mid-2022, Amazon began pausing or canceling projects and listing millions of square feet for sublease. While the company never engaged in a large-scale pullback, its actions were enough to help drive a cooldown of the entire industrial sector. In 2024, Amazon is reported to be increasing its leasing activity.

- While online sales growth has normalized, the industrial real estate sector is continuing to deal with the impact of a gargantuan supply response. More than 1.1 billion square feet (5.7% of stock) were completed between 2022 and 2023 alone. The nature of e-commerce fulfillment will help drive absorption for this supply, however. Estimates place e-commerce as needing about three times as much industrial space as traditional retail sales in order to be able to process orders and returns in a timely and efficient manner.

- E-commerce will remain one of the primary drivers of industrial real estate in both the near and long term. In addition to growth from e-commerce firms, existing big-box retailers continue to make a push into the sector. Walmart in particular has been opening numerous distribution centers across the country in an effort to catch up with Amazon's massive headstart in the online shopping space.

Rents and Occupancy: New Lease Rates Moderate

- National in-place rents for industrial space averaged $8.11 per square foot in August, down four cents from July but up 7.2% over the past 12 months.

- In-place rents increased most in coastal markets, with the largest gains over the past 12 months found in the Inland Empire (12.1%), Miami (10.6%), Los Angeles (10.1%), New Jersey (9.0%) and Orange County (8.3%). While the supply boom has caused vacancies to rise and advertised rents to moderate, leases that were signed before the pandemic will continue to expire in coming years. As tenants renew leases or move into new space, in-place rents will keep climbing while catching up to increases baked into new lease rates.

- The national vacancy rate was 6.7% in August, up 30 basis points from the previous month. The massive wave of new supply during the last few years continues to have a significant impact on national vacancy, which hovered near 4% just two years ago.

- The average rate for new leases signed in the past 12 months was $10.56 per square foot, $2.45 more than the average for all leases.

- While the spreads between in-place rents and new leases remains large, we have seen deceleration in the growth of new leases, and even some decreases in new lease rates in certain markets. The national average rate for a new lease increased 65 cents over the past year. However, between August of 2022 and August of 2023, the rate grew by $1.83 per foot. In the past 12 months, the average rate of a new lease decreased in seven of the top 30 markets. The Inland Empire has seen the biggest decline in the past 12 months, with new leases decreasing $4.76 per foot. No markets saw the new lease rate decline between August 2022 and August 2023.

Average Rent by Metro

Market	Aug-24 Average Rent	12-Month Change	Avg Rate Signed in Last 12 Months	Vacancy Rate
National	$8.11	7.2%	$10.56	6.7%
Inland Empire	$10.65	12.1%	$13.68	6.9%
Miami	$11.87	10.6%	$17.53	4.6%
Los Angeles	$14.93	10.1%	$18.31	9.5%
New Jersey	$10.87	9.0%	$14.83	8.1%
Orange County	$15.70	8.3%	$17.73	4.7%
Atlanta	$5.86	8.1%	$9.11	5.8%
Seattle	$11.30	8.0%	$12.63	6.9%
Indianapolis	$4.88	8.0%	$7.99	6.3%
Nashville	$6.11	8.0%	$9.28	4.8%
Dallas–Fort Worth	$6.09	7.6%	$9.30	7.7%
Phoenix	$8.99	7.5%	$13.14	5.6%
Baltimore	$8.21	7.2%	$9.15	7.0%
Boston	$10.77	7.0%	$13.95	7.7%
Tampa	$7.78	6.9%	$10.81	10.7%
Cincinnati	$4.92	6.5%	$7.31	5.1%
Philadelphia	$8.02	6.2%	$10.25	5.4%
Central Valley	$6.35	6.2%	$9.25	6.2%
Portland	$9.77	6.1%	$11.04	4.8%
Charlotte	$6.90	6.0%	$9.72	4.0%
Columbus	$4.96	6.0%	$7.19	4.6%
Bay Area	$13.36	5.9%	$15.39	7.3%
Memphis	$3.97	5.9%	$4.87	7.0%
Bridgeport	$9.32	5.7%	$13.09	4.2%
Twin Cities	$6.99	5.1%	$8.35	5.7%
Denver	$8.59	5.0%	$10.23	10.4%
Chicago	$6.14	4.4%	$7.33	7.3%
Houston	$6.68	4.0%	$7.99	7.7%
Detroit	$6.83	3.8%	$8.91	5.0%
St. Louis	$4.81	2.3%	$5.03	7.2%
Kansas City	$4.73	1.9%	$5.40	4.8%

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

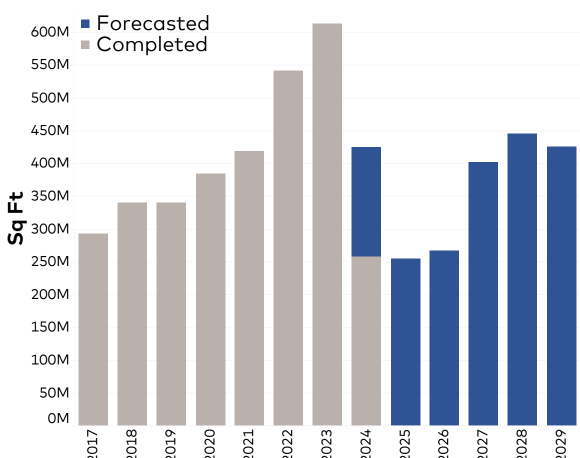
Supply:
Phoenix Pipeline Stays Large and Diverse

- Currently, 369.3 million square feet of industrial space, or 1.9% of stock, are under construction nationally, according to Yardi Matrix.

- Industrial development may have cooled, but by historical standards it remains elevated. Nearly 1.9 billion square feet started construction between 2020 and 2023, but so far this year starts have fallen to 145.3 million. Despite the slowdown, 2024 is on track to finish roughly at 2019's level of 195.8 million square feet of starts. Before the pandemic sent demand for industrial space into overdrive, 2019 was itself a high-water mark for the past decade-plus.

- While many markets have seen their pipelines shrink considerably in 2024, Phoenix is an exception. It has 36.7 million square feet underway, with 10.6 million square feet starting in 2024, the most of any market. Warehouse and distribution makes up slightly more than half of the pipeline, but manufacturing and data centers are prevalent. Manufacturing accounts for 25% of all industrial space under construction in the metro, while data centers comprise 18% of the pipeline but a quarter of all square feet started in 2024. Stream Data Centers began construction of four additional data centers at its site in Goodyear, adding 1.5 million square feet at the campus.

National New Supply Forecast



Source: Yardi Matrix. Data as of August 2024

Supply Pipeline (by metro)

Market	Under Construction	Under Construction % Stock	UC Plus Planned % Stock
National	369,322,175	1.9%	4.5%
Phoenix	36,771,821	9.1%	20.6%
Kansas City	10,422,418	3.6%	15.4%
Memphis	10,018,000	3.4%	3.9%
Denver	8,306,175	3.0%	5.9%
Columbus	8,712,303	2.8%	4.2%
Philadelphia	12,377,466	2.7%	4.9%
Charlotte	7,073,910	2.2%	5.8%
Central Valley	6,305,533	1.7%	2.3%
Dallas	16,008,609	1.6%	4.9%
Atlanta	8,795,743	1.5%	3.1%
Nashville	3,233,444	1.5%	2.9%
Baltimore	3,078,210	1.4%	2.4%
Inland Empire	8,534,046	1.3%	7.7%
New Jersey	7,327,118	1.3%	2.8%
Bay Area	3,724,728	1.2%	2.8%
Portland	2,280,320	1.2%	1.9%
Tampa	3,032,733	1.1%	4.8%
Houston	6,714,534	1.0%	4.9%
Detroit	5,825,664	1.0%	1.6%
Chicago	10,282,305	0.9%	2.1%
Boston	2,204,102	0.9%	2.8%
Seattle	2,459,595	0.8%	3.4%
Los Angeles	5,133,609	0.7%	2.3%
Cleveland	2,411,696	0.6%	0.8%
Indianapolis	2,292,534	0.6%	2.6%
Cincinnati	1,414,315	0.5%	0.8%
Twin Cities	1,394,380	0.4%	1.2%
Orange County	780,206	0.4%	1.2%
Bridgeport	431,443	0.2%	0.8%

Source: Yardi Matrix. Data as of August 2024

Economic Indicators:
E-Commerce Ticks Up in Second Quarter

- There were $291.6 billion of e-commerce sales in the second quarter of the year, according to the Census Bureau. This was an increase of $3.8 billion over the first quarter (1.3%) and $18.3 billion over the second quarter of 2023 (6.7%).

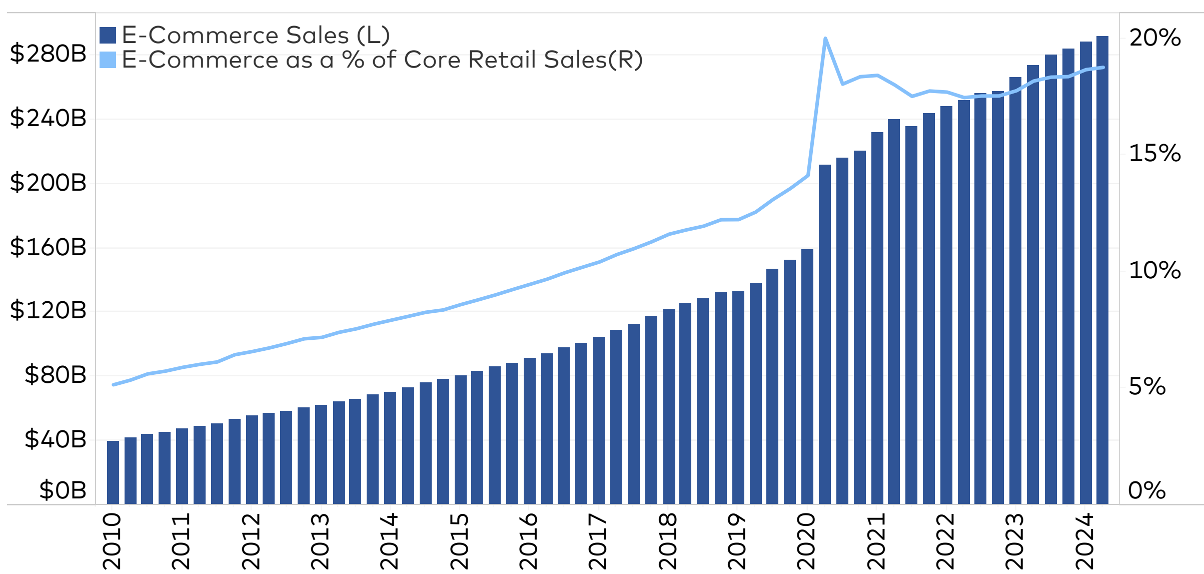
- E-commerce sales represented 18.8% of core retail sales in the second quarter, increasing 10 basis points in the quarter and 50 basis points year-over-year. E-commerce still has a long way to go before it reaches the pandemic-driven highs of second quarter 2020. However, continued growth in online sales will be welcome news for the e-commerce sector and the broader industrial market. After the 2020 spike, e-commerce's share fell for the first time on record, and many ensuing quarters saw the share decrease or grow at a negligible rate. However, the second quarter of 2024 marks the sixth consecutive increase in e-commerce's share. As interest rates begin to fall and businesses eye expansion once again, the steady growth of e-commerce sales should provide confidence that the sector has regained its footing.

Economic Indicators

National Employment	ISM Purchasing Manager's Index
(August)	(August)
158.8M	47.2
0.1% MoM ▲	0.4 MoM ▲
1.5% YoY ▲	-0.4 YoY ▼
Inventories	**Imports**
(June)	(July)
$2,565.9B	$278.2B
0.3% MoM ▲	2.3% MoM ▲
2.0% YoY ▲	8.3% YoY ▲
Core Retail Sales	**Exports**
(August)	(July)
$524.5B	$175.1B
0.2% MoM ▲	0.4% MoM ▲
3.3% YoY ▲	4.0% 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:
Denver Sales Activity Up in 2024

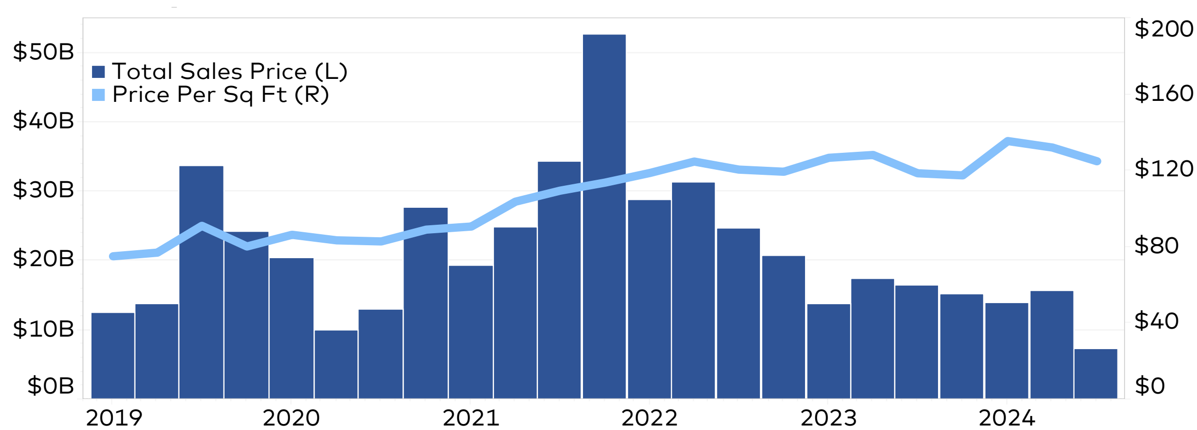
- Industrial sales totaled $36.9 billion through August of this year, according to Yardi Matrix data, with properties trading at an average of $132 per square foot.
- This year is beginning to look like it will match or exceed 2023 in total sales volume. While there is a lag in collecting information about some transactions, 18 of the 120 markets covered by Yardi Matrix have already eclipsed their sales volume for the entire 12 months of last year.
- Despite modest rent growth and increasing vacancies, Denver is among the markets already surpassing 2023's sales volume. Through August, there were $818 million of industrial transactions, compared to just $523 million in all of 2023. More than 40% of sales volume this year has been centered near Denver International Airport in the Northeast Denver and I-76 Corridor submarkets. Morgan Stanley recently paid $72.2 million for a site along the I-76 corridor occupied by Performance Food Group, one of the nation's large food distribution companies. The site was recently delivered by Scannell Properties, which was quickly able to fetch $273 per square foot for the site.

Sales Activity

Market	YTD Sales Price PSF	YTD Sales (Mil, as of 7/31)
National	$132	$36,945
Dallas	$138	$2,950
Bay Area	$483	$2,743
Los Angeles	$306	$2,059
Chicago	$98	$1,855
Phoenix	$158	$1,652
Houston	$106	$1,600
New Jersey	$235	$1,380
Atlanta	$111	$1,217
Inland Empire	$232	$1,198
Twin Cities	$93	$835
Denver	$143	$818
Tampa	$131	$807
Orange County	$320	$794
Seattle	$207	$679
Columbus	$82	$571
Charlotte	$77	$546
Nashville	$126	$514
Central Valley	$130	$424
Baltimore	$127	$385
Cincinnati	$74	$384
Boston	$152	$364
Philadelphia	$102	$288
Cleveland	$49	$254
Portland	$173	$252
Indianapolis	$93	$252

Source: Yardi Matrix. Data as of August 2024

Quarterly Transactions



Source: Yardi Matrix. Data as of August 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.

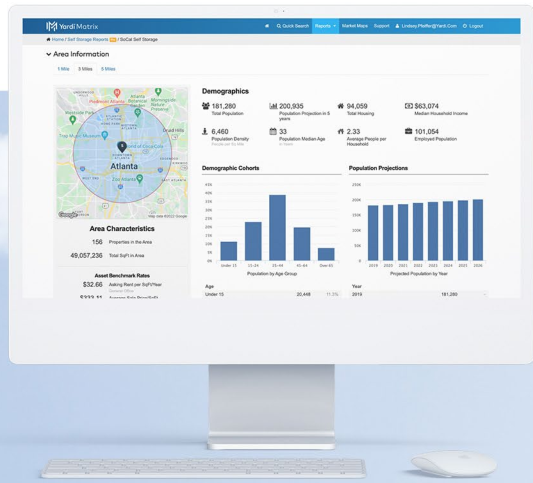
Stage of the supply pipeline:

- 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.

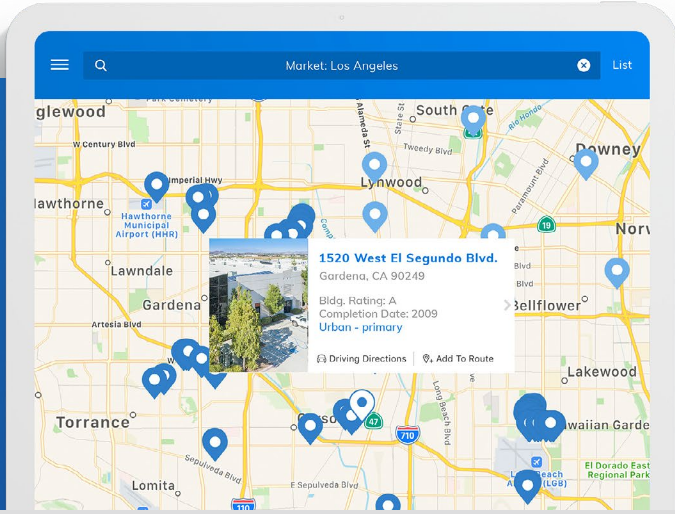
Yardi Matrix

Power your business with the industry's leading data provider



INDUSTRIAL KEY FEATURES

- Active in 118 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



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

YARDI

(800) 866-1144

Learn with us at yardimatrix.com/industrial

Contact us

Contacts

Peter Kolaczynski
Manager, Commercial
Peter.Kolaczynski@Yardi.com
(800) 866-1124 x14001

Rob McCartney
Sales Manager, Matrix
Rob.McCartney@Yardi.com
(800) 866-1124 x14021

Doug Ressler
Media Contact
Doug.Ressler@Yardi.com
(800) 866-1124 x14025

Author

Justin Dean
Senior Research Analyst

Yardi® Matrix