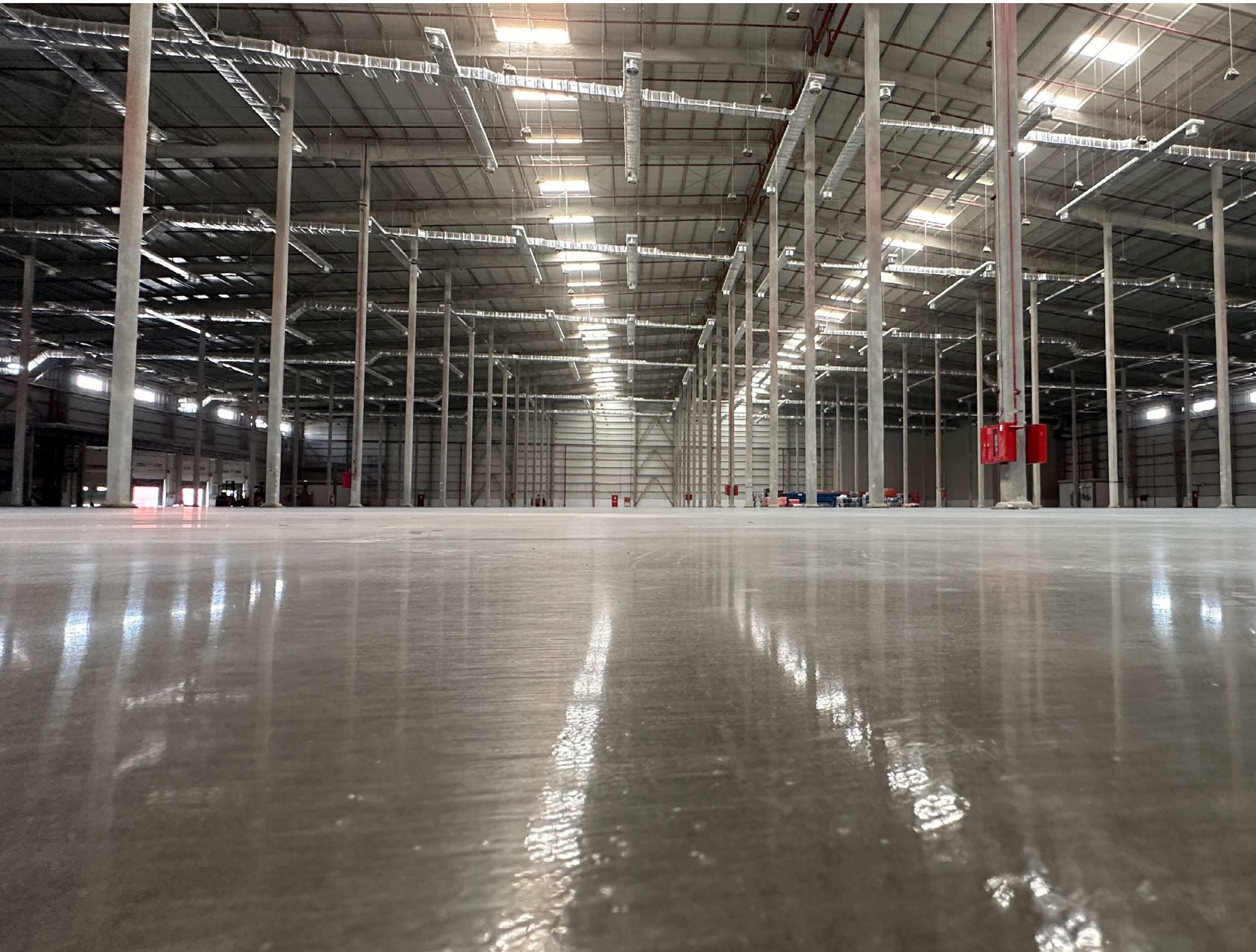
Yardi Matrix

National Industrial Report

December 2024



Industrial Sector Normalizes in 2024

- After running hot for several years, the industrial sector experienced stabilization and normalization in 2024, but the year was not without challenges.

- The historic wave of new supply began to tail off in 2024, reflecting the drop in starts that began last year as demand for space cooled and higher borrowing costs made construction loans more expensive. More than 1.1 billion square feet were delivered between 2022 and 2023, but only 330.7 million square feet were delivered year-to-date through the end of November. Although this year will finish with more completions than every year this century prior to 2020 tracked by Yardi Matrix, the new-supply slowdown will continue, as starts have totaled 208.7 million square feet so far this year.

- The supply boom that began in 2021 may have wound down in 2024, but its impact on vacancies is still being felt. Two years ago, the national vacancy rate was below 4% and the hottest markets had rates that were below 2%. Nearly every market saw a substantial increase in the amount of vacant space this year, and the national vacancy rate sits at 7.5%.

- Through November, $54.6 billion in industrial sales occurred, following $62.8 billion in 2023. Given that there is a lag in the collection of some sales data, it is likely that the final 2024 figure will come in close to last year. While volume remains roughly the same, the average sale price of an industrial asset has increased 2.7% this year and currently sits at $128 per foot. The year experienced a bigger sale price increase than 2023, when prices grew by 1.5%. The gains during the last two years were extremely modest when compared to 2021 (25.6% year-over-year average sales price growth) and 2022 (13.5%). That the average price of an industrial asset held steady after such rapid growth and in a high-interest-rate environment indicates that investor appetite remains elevated for these properties.

- While 2024 was generally a year of normalization for the industrial sector, there were shocks that tested the resilience of supply chains. This year saw Yemen's Houthi rebels attack ships in the Red Sea, a labor stoppage that shut down ports along the East Coast for three days, a drought in Panama that led to a 29% drop in vessel transit through the canal and the collapse of Francis Scott Key Bridge in Baltimore, which closed the Port of Baltimore for 11 weeks. While none of these events were as massive a shock as the pandemic that halted the global economy in its tracks, it is encouraging that supply chains weathered them all without large-scale bottlenecks or backlogs.