

U.S. Industrial Real Estate Market Summary | Q3 2021

Industrial Real Estate Statistics

	Logistics	Specialized	Flex Space	12-Month Rent Growth	Delivered Construction	Sales (YTD)	Average Sale Price
Vacancy	4.6%	3.5%	6.7%	6.7%	78.4M SF	\$20B	\$125 PSF
Rent	\$8.63 psf	\$9.20 psf	\$15.81 psf				

Executive Summary

The United States industrial market is sustaining its impressive performance, primarily fueled by the boom in household spending on retail goods. Vacancy is at a record low and rent growth is at a record high. Major markets across the country are struggling to accommodate record jumps in demand, causing more leasing activity in smaller markets with more open land for development.



The shortage of available space within the nation's largest centers of purchasing power is driving a dramatic acceleration in leasing in markets that typically receive spillover demand from nearby population centers.



The industrial sector is in the unique position of seeing record leasing, at a time when investors are increasingly questioning the long-term demand outlook for other major property types such as office and retail, due in part to changes in work place strategies and consumer spending brought on by the pandemic. As a result, investment dollars that would have otherwise flowed into other types of commercial real estate are being redirected to the industrial sector.



U.S. industrial rent growth has been reaccelerating since the start of the pandemic, with particularly strong gains in recent months as surging demand collides with limited existing new supply. National rents are poised to continue to grow.



After a widespread pause in construction activity during the first few months of the pandemic, developers have been breaking ground at a record pace since mid-2020, and, in most markets, they are racing to keep pace with tenant demand.

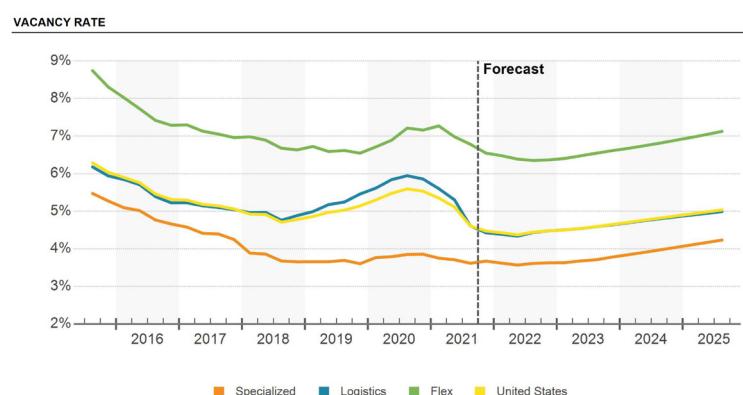


The unemployment rate has fallen to 5.2%, a new pandemic-era low, but labor participation is still weak, as workers cite lingering fears of COVID. Bottlenecks in supply chains and shortages of some inputs have strained deliveries and depleted inventories.

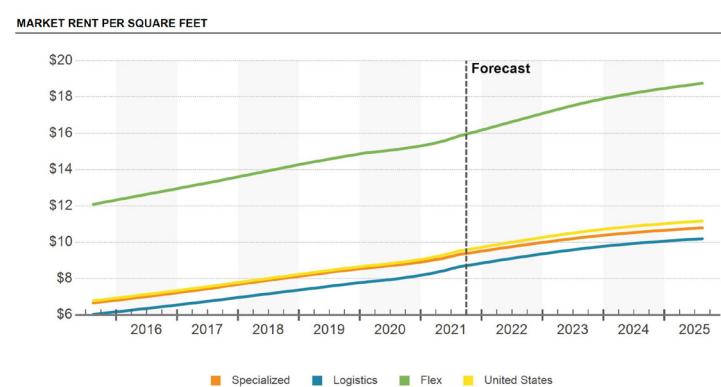
Industrial Leasing Outlook

Data from the Bureau of Economic Analysis (BEA) shows that since the start of the pandemic, real personal spending on goods in the United States has grown at three times the pace averaged during the five years prior to 2020. Since nearly all of these goods being purchased need to be transported through logistics properties across the country before reaching their consumers, Q3 2021 has proven to be an exceptional period for industrial tenant demand. Leasing activity is up 80% compared to seasonal averages observed prior to the pandemic. Year-over-year rent growth is running at 6.7% in the industrial sector as a whole.

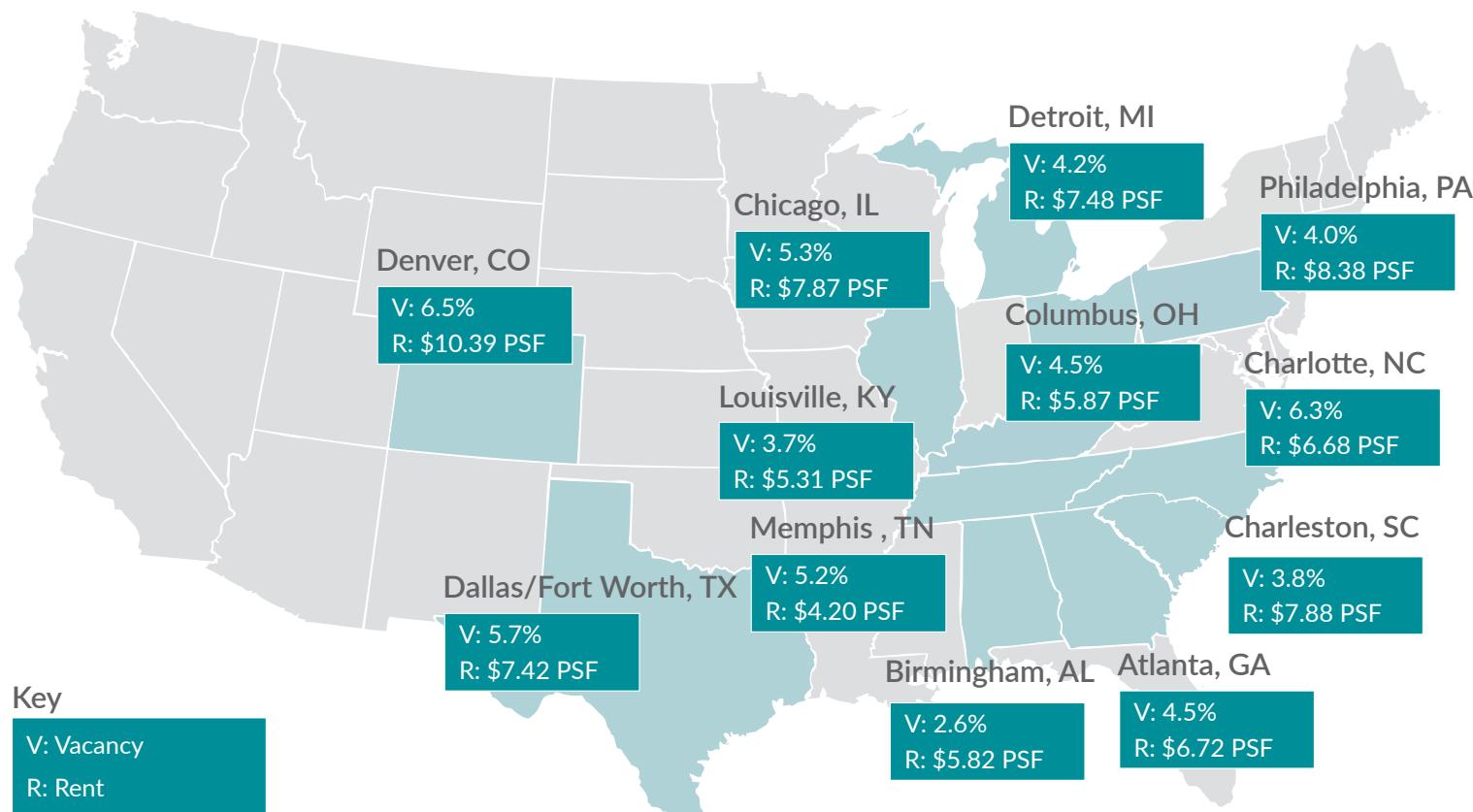
Leasing



Rent



Metrics from Select Metros





Industrial Construction & Deliveries

Across the United States, 593 million SF of industrial space is under construction, up 22% from the tally just prior to the pandemic. Meanwhile, 52% of what's underway is not yet leased. Even as development is turning up in nearly every region of the United States, the availability of new industrial product varies widely by market. Prime coastal markets where industrial-zoned land is more scarce are facing supply shortages, including Miami, Inland Empire (CA), and Los Angeles. However, there are some markets where new construction is starting to pull well ahead of expected leasing activity, including Denver, St. Louis, and Cincinnati.

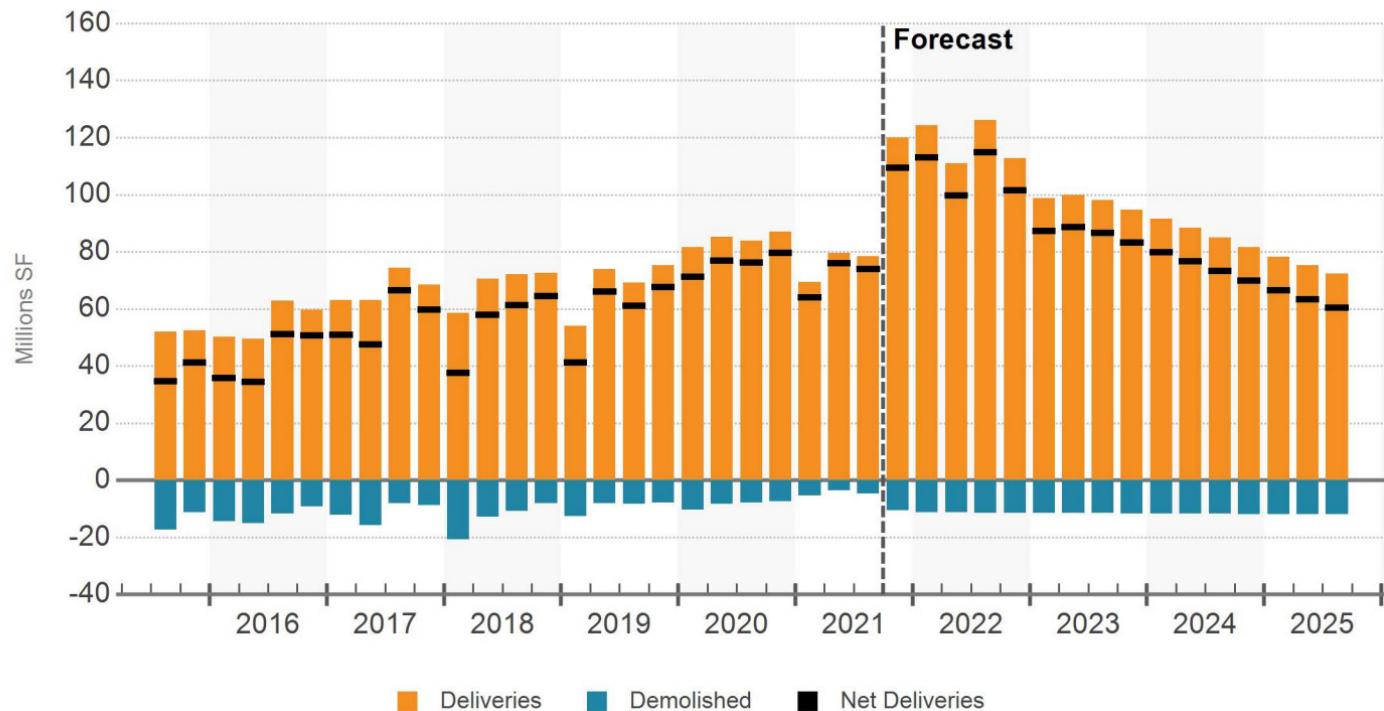
National Metrics

Under Construction	12-Month Delivered	Historical Average
450M SF	313M SF	198M SF

Top Metros Under Construction

Dallas/FT Worth, TX 48.1M SF	Chicago, IL 27.3M SF
Phoenix, AZ 28.7 M SF	Inland Empire, CA 26M SF
Atlanta, GA 28.6 M SF	Philadelphia, PA 21.6M SF

Deliveries & Demolitions

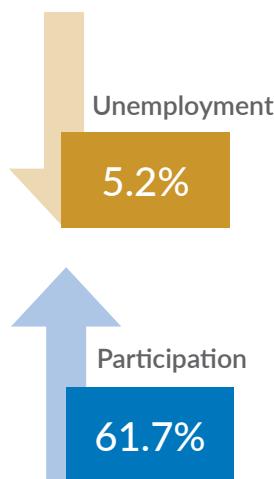




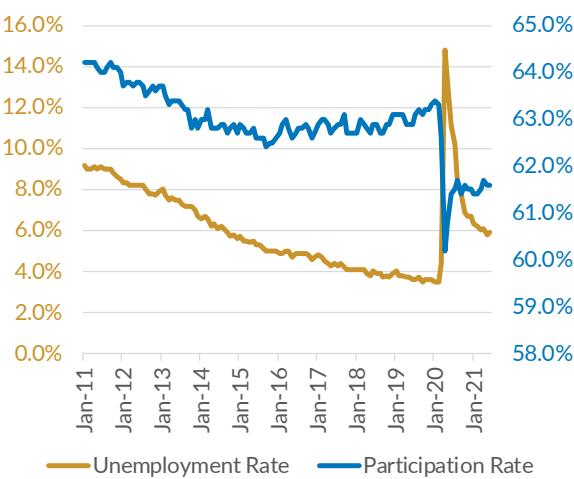
National Labor Statistics

Data from the BEA shows that fifteen months after the onset of the coronavirus pandemic, the United States economy had fully recovered to its pre-COVID level of output in the second quarter, but the delta variant of COVID has negatively impacted economic activity. Overall, there are about 5.3 million fewer jobs today than in February 2020. Three waves of stimulus payments have produced high levels of consumer spending, injecting \$6 trillion into the economy.

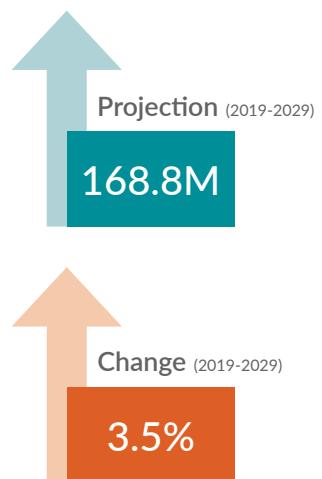
Employment



Labor Statistics, 2011–2021



Job Growth



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Tenant & Buyer Representation

Portfolio Optimization
Site Selection
Lease Administration
Incentives



Owner's Representation

Program Management
Team Selection
Master Budget & Schedule



Real Estate Consulting

Strategic Planning
Due Diligence
Programming/Benchmarking

Contact

To learn more about your real estate market or to discuss your company's real estate needs, contact us today.

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