

U.S. Industrial Real Estate Market Summary | Q4 2021

Industrial Real Estate Statistics

	Logistics	Specialized	Flex Space	12-Month Rent Growth	12-Month Delivered Construction	12-Month Sales	Average Sale Price
Vacancy	4.2%	3.6%	6.4%	8.0%	304M SF	\$101B	\$130 PSF
Rent	\$8.90 _{psf}	\$9.42 _{psf}	\$16.12 _{psf}				

Executive Summary

The United States industrial market is sustaining its impressive performance, primarily fueled by the boom in household spending on retail goods. For another consecutive quarter, 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.



Continued consumer spending made Q4 2021 an exceptional period for industrial tenant demand. Leasing activity is up 70% from the same seasonal averages observed pre-pandemic.



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 well ahead of inflation over the next several months.



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.



Investors are increasingly questioning the long-term demand outlook for other major property types such as office and retail. As a result, investment dollars that would have otherwise flowed into other types of commercial real estate are being redirected to the industrial sector. Investors are realizing great opportunities with acquiring underperforming properties, renovating them, securing long-term leases, and selling back into today's record pricing market for core properties.



After the U.S. economy's disappointing third quarter (blamed on the spread of the delta variant of COVID-19), the economy in the fourth quarter has rebounded, with job growth returning and consumer spending strong. The unemployment rate fell to 3.9% in December 2021, a new pandemic-era low.

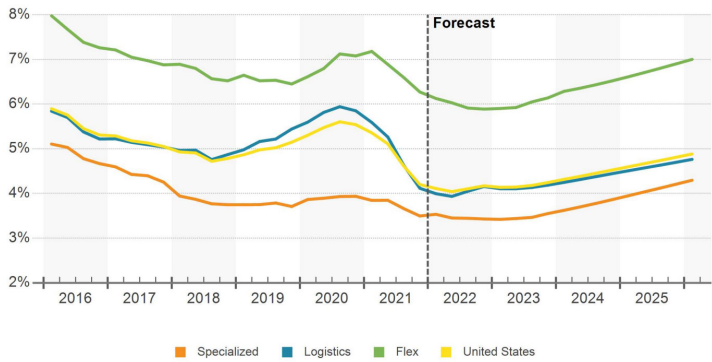


Industrial Leasing Outlook

Continuing the momentum from the boom in consumer spending during the pandemic, the last quarter of 2021 has proved to be an exceptional period for industrial tenant demand. In Q4 2021, leasing activity was up 70% compared to seasonal averages observed prior to the pandemic. Current demand for distribution space is arguably stronger than what many prime U.S. markets can accommodate, leading to accelerated leasing activity in submarkets that typically catch spillover demand. Year-over-year rent growth is running at 8%, with logistics properties at 9.5%, flex space at 5.6%, and specialized space at 6.0%.

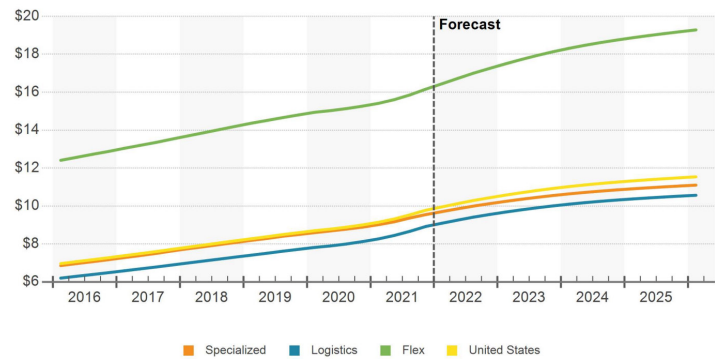
Leasing

VACANCY RATE

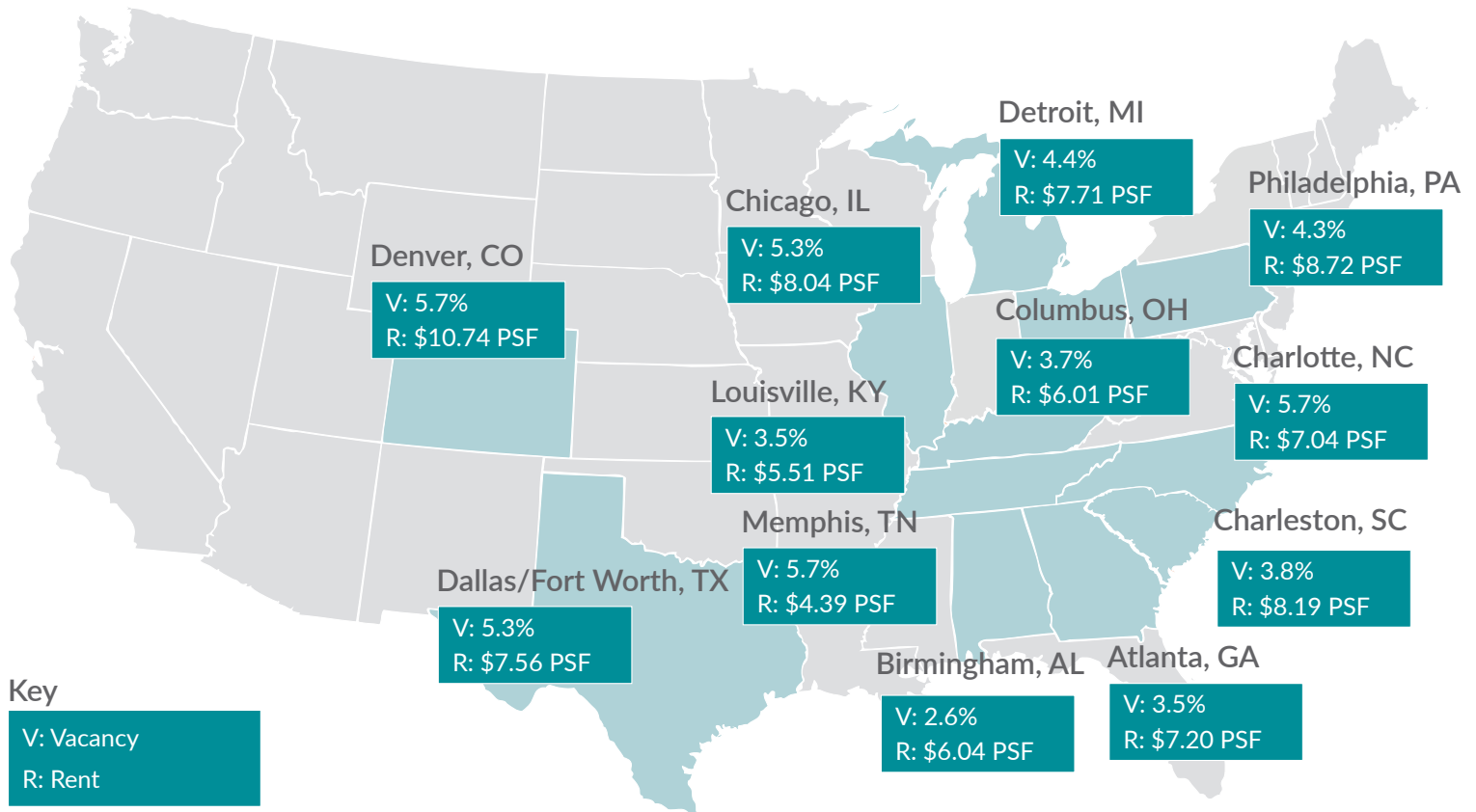


Rent

MARKET RENT PER SQUARE FEET



Metrics from Select Metros



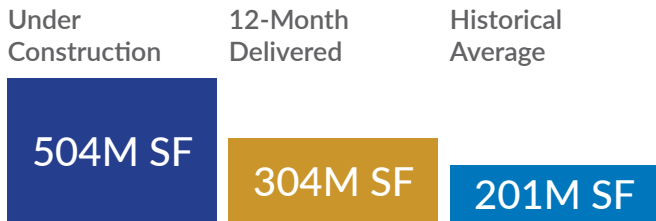


Industrial Construction & Deliveries

Across the United States, 685 million SF of industrial space is under construction, up 48% from the tally just prior to the pandemic. Meanwhile, 59% of what's underway is not yet leased.

Prime port markets where industrial-zoned land is scarce — such as Los Angeles, Northern New Jersey, and Baltimore — are facing supply shortages that may last for years to come. However, there are some markets where new construction is starting to pull well ahead of expected leasing activity, such as Phoenix, Columbus, and Denver.

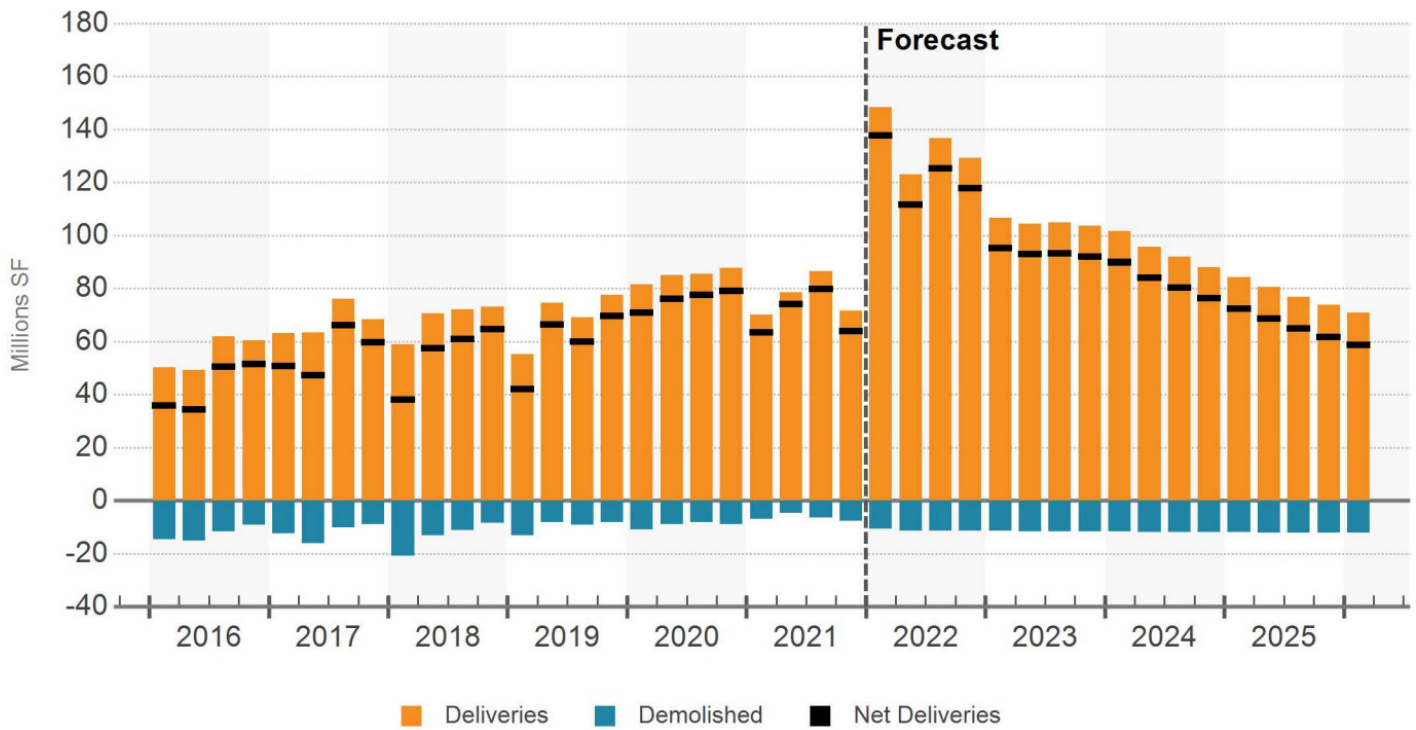
National Metrics



Top Metros Under Construction



Deliveries & Demolitions

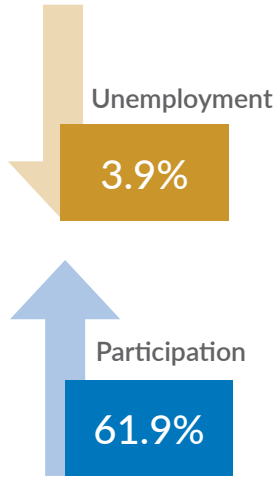




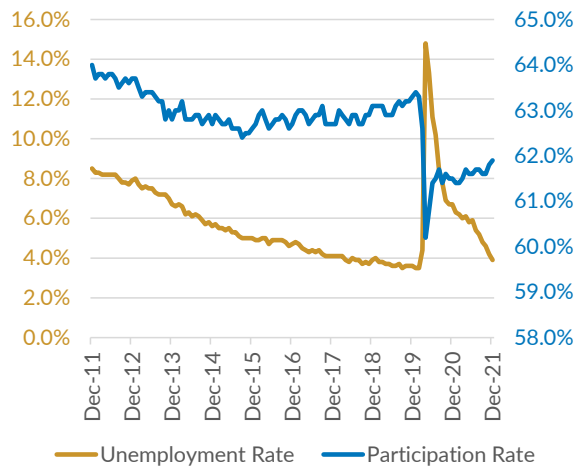
National Labor Statistics

With 11 million job openings and 4.2 million workers voluntarily leaving their jobs, competition for workers is driving wages higher. The labor participation rate is still well below pre-pandemic levels as workers continue to cite COVID-19 fears and a lack of childcare options as reasons for labor force nonparticipation. Despite this, the unemployment rate fell to 3.9% in December, a new pandemic-era low.

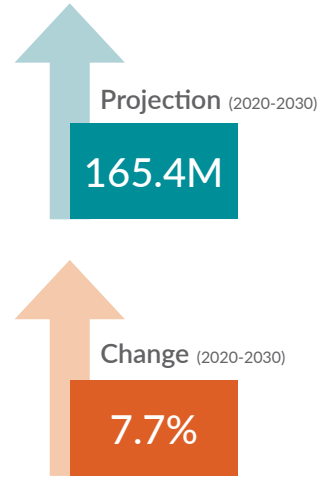
Employment



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.

Brandon M. Podolski, JD, SIOR
 Brandon.Podolski@plantemoran.com
 (248) 375-7440



Adam R. Burgess
 Adam.Burgess@plantemoran.com
 (248) 375-7863

