

U.S. Industrial Real Estate Market Summary | Q1 2022

Industrial Real Estate Statistics

	Logistics	Specialized	Flex Space	12-Month Rent Growth	Vacancy Rate	12-Month Net Absorption	Average Sales Price per SF
Vacancy	4.1%	3.4%	6.0%	9.9%	4.1%	510 M SF	\$145/SF
Rent	\$9.25 psf	\$9.77 psf	\$16.58 psf				

Executive Summary

The first quarter of 2022 was another period of record-breaking activity for industrial real estate. Demand for supply chain efficiency coupled with the historic boom in household spending on consumer goods is causing organizations to seek industrial space at unprecedented levels. For another consecutive quarter, vacancy is at a record low. Rent growth, net absorption, and the amount of delivered construction projects are at record highs.



LEASING ACTIVITY

The 4.1% national vacancy rate for industrial property is the lowest level ever recorded according to commercial real estate experts. Activity is up 65% from typical Q1 leasing.



SALES

The investment environment for industrial properties is highly competitive. The industrial sector has been more attractive for investors questioning the long-term viability of other major property types, including office and retail. Investors are realizing significant returns in purchasing under-performing properties, renovating them, securing long-term leases, and then selling into today's high-demand market.



RENT

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.



LABOR & ECONOMY

The labor market continues to flourish. Job growth was robust in 2021 and extended its gains into Q1 2022. The unemployment rate has fallen to 3.8%, the lowest number recorded in the pandemic era. Meanwhile, inflation rose by 8.5% in March, its highest rate in four decades. Rising inflation risk may result in decreased consumer spending.



NEW CONSTR- UCTION

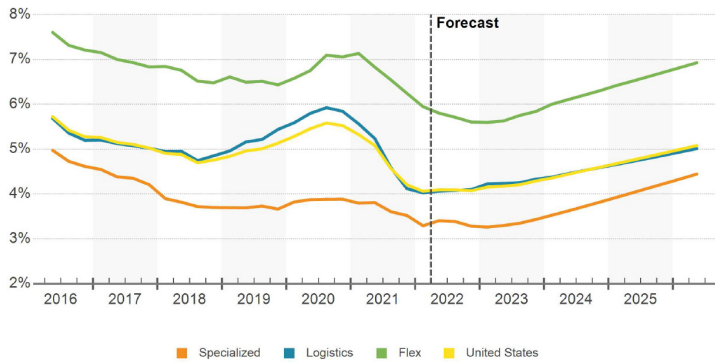
Developers continue to break ground on construction projects at a record pace to keep up with tenant demand. Across the United States, 580 million SF of industrial space is under construction, up 67% from just prior to the pandemic. However, timelines for deliveries remain a challenge.

Industrial Leasing Outlook

Increased levels of consumer goods spending and the need to create efficient supply chains have caused organizations across the country to increase their real estate footprint. E-commerce retailers, brick-and-mortar retailers, and third-party distributors are leading the charge. Industrial rents have accelerated since the start of the pandemic, resulting in a 9.9% year-over-year rent growth. Forty-four of the 50 largest logistics markets in the U.S. have rent growths over 8%. Popular port markets, such as Los Angeles, Miami, and Northern New Jersey, as well as developer-friendly markets, including Atlanta and the Inland Empire, have witnessed annual rent growths in excess of 14%.

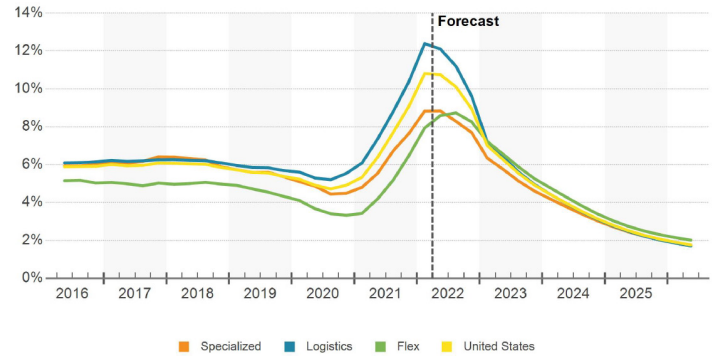
Leasing

VACANCY RATE

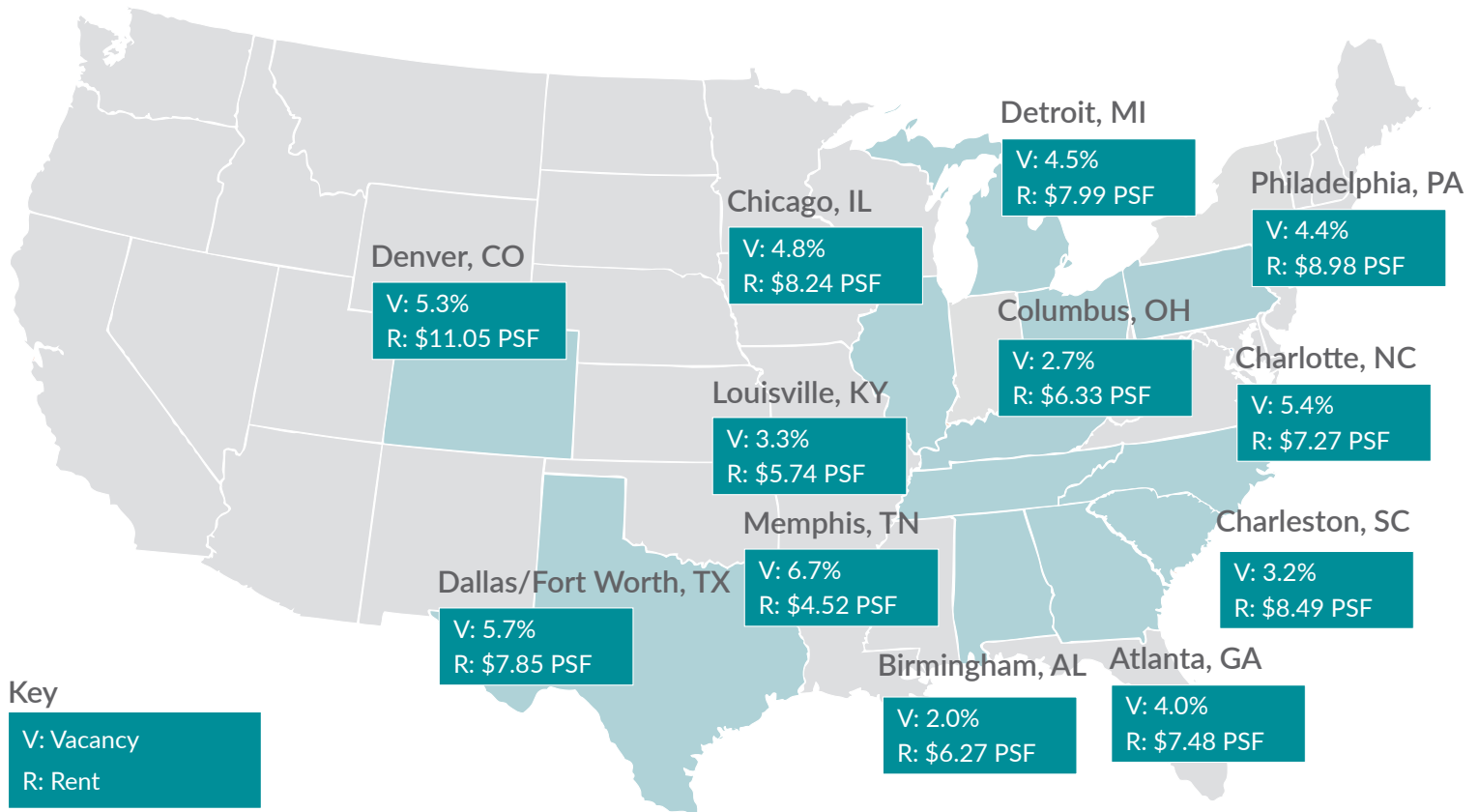


Rent

MARKET RENT GROWTH (YOY)



Metrics from Select Metros



Industrial Construction & Deliveries

Across the United States, 580 million SF of industrial space is under construction, up 64% 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 Seattle, Baltimore, and Miami — 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 Dallas-Fort Worth, Phoenix, and Denver.

National Metrics

Under
Construction

580M SF

12-Month
Delivered

350M SF

Historical
Average

204M SF

Metros Under Construction

Detroit, MI | 7.4M SF

Columbus, OH | 18.8M SF

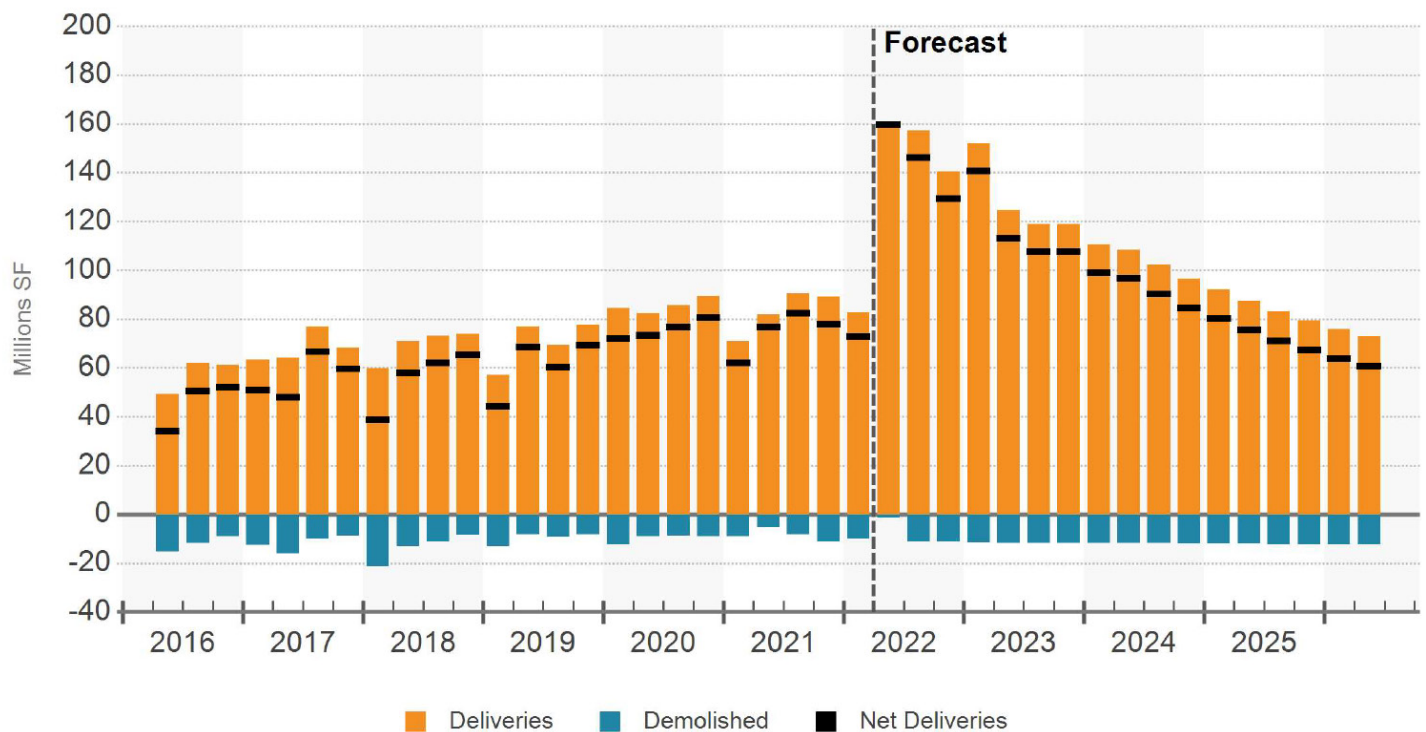
Chicago, IL | 29.6M SF

Charlotte, NC | 14.9M SF

Denver, CO | 11.2M SF

Dallas/FT Worth, TX | 74.5M SF

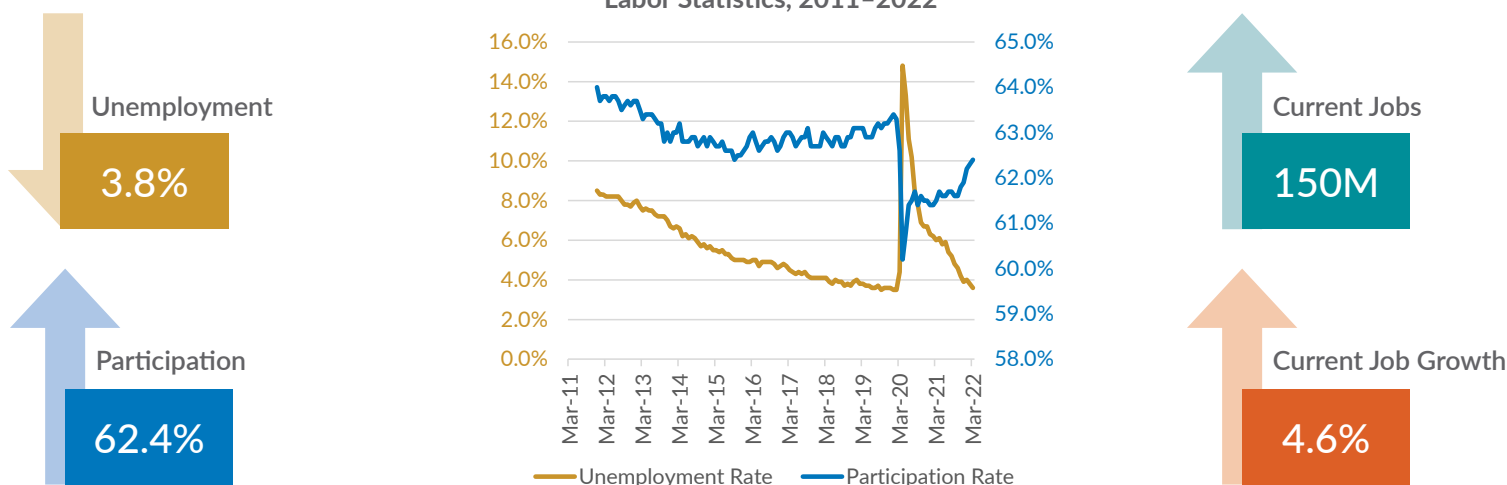
Deliveries & Demolitions



National Labor Statistics

Despite over two years of market disruptions due to the pandemic, the U.S. economy has powered through on strong fundamentals. Consumer spending remains robust and the business sector has proven to be resilient among supply chain issues. Inflation, as measured by the consumer price index (CPI), rose by 8.5% in March, its highest rate in four decades, which may slow consumer spending down in the coming quarters.

Employment



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About Plante Moran Cresa

Plante Moran Cresa offers unbiased advocacy for companies looking to lease, buy, build, or develop a comprehensive real estate strategy that will align their company goals and real estate. Here's how we serve industrial space users:



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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