

U.S. Industrial Real Estate Market Summary | Q2 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	3.8%	3.2%	5.9%	11.9%	3.9%	496M SF	\$149 PSF
Rent	\$9.68 psf	\$10.19 psf	\$17.09 psf				

Executive Summary

Even with inflation and interest rates rising, industrial leasing activity shows no signs of slowing down. Q2 2022 was another consecutive quarter of record-low vacancy levels and record-high rent growth. Consumer confidence is projected to decrease, which may lead to a decrease in the consumer spending that has been fueling this historic boom in industrial real estate demand.



LEASING ACTIVITY

U.S industrial leasing remained at a record-high 60% above pre-pandemic levels. Total industrial SF leased in Q2 2022 is set to tally about 320 million SF, 50% higher than typical quarterly leasing.



SALES

Investment in industrial properties has soared since late 2020. Trailing 12-month sales volume totals \$128 billion, which is almost double typical pre-pandemic sales volumes. This is the most rapid acceleration in investment in any property sector since the start of the pandemic. Interest rates and inflation hikes will likely slow the growth of transaction activity. Institutional lenders are becoming stricter for lending criteria.



RENT

Rental rates have reaccelerated since the start of the pandemic, leading to a 11.9% year-over-year rent growth. Rental rates around the country are poised to continue to grow due to record-low vacancy.



NEW BUILDS

Developers continue to break ground on construction projects at a record pace to keep up with tenant demand. Across the United States, 844 million SF of industrial space is under construction, up 70% from pre-pandemic numbers. A record-level of completions for new industrial facilities is slated from 2022 to 2023.



LABOR & ECONOMY

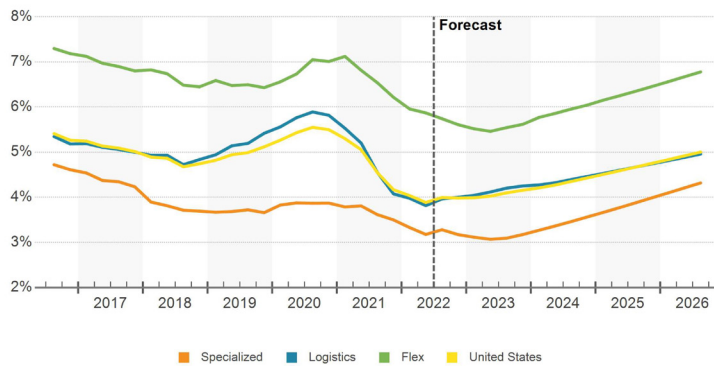
The unemployment rate is 3.6%, the lowest number recorded in the pandemic era. The number of job openings decreased to 11.3 million on the last business day of May. In response to rising inflation, the Federal Reserve increased interest rates 75 basis points in June, the largest increase since 1994.

Industrial Leasing Outlook

Industrial leasing activity is at record highs, with around 320 million SF leased in Q2 2022. U.S. households accrued an extra \$5 trillion in savings during the pandemic, driving the consumer spending behind the boom in industrial leasing activity. Non-store retailers have had tremendous success since the onset of the pandemic, with sales up 35% compared to pre-pandemic levels. Amazon, the industrial market's largest tenant, is slowing its expansion of its distribution network. The e-commerce giant is rumored to be placing 10 million to 30 million SF of industrial space up for sublease, primarily consisting of its smaller, multi-tenant properties.

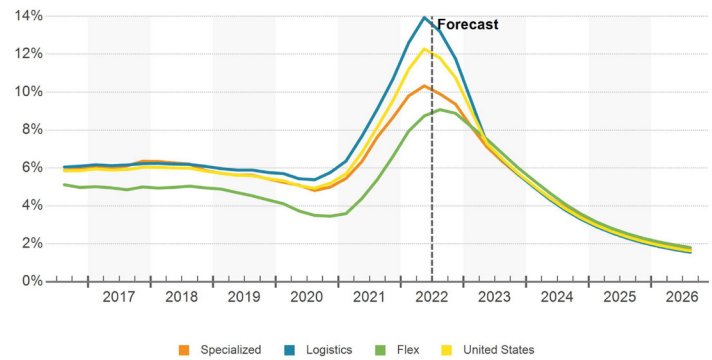
Leasing

VACANCY RATE

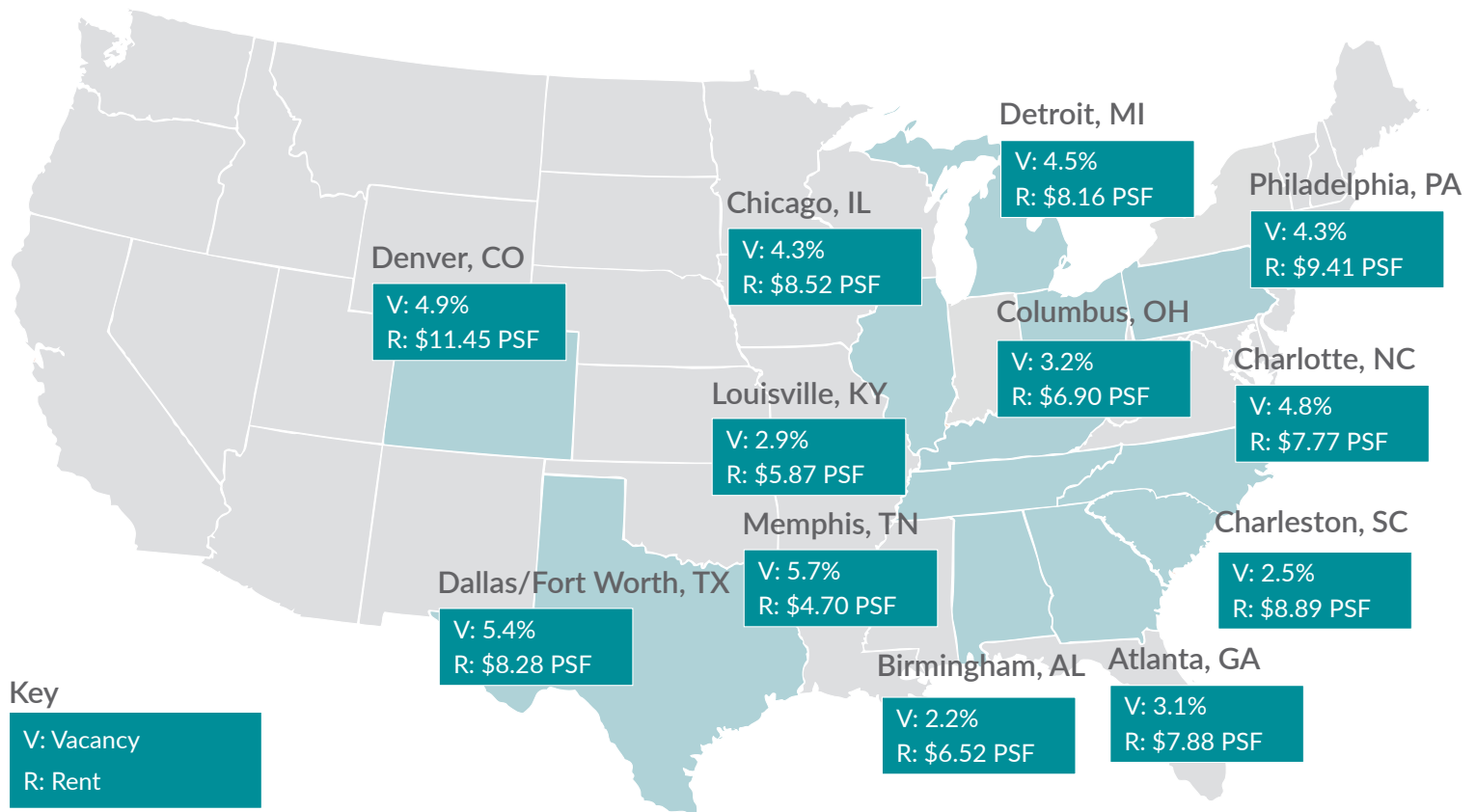


Rent

MARKET RENT GROWTH (YOY)



Metrics from Select Metros

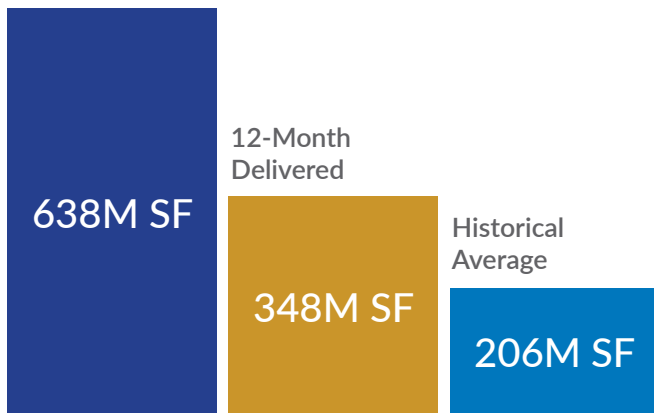


Industrial Construction & Deliveries

Developers have been breaking ground at a record pace since the start of the pandemic to keep up with tenant demand. 844 million SF of industrial space is under construction, up 70% from pre-pandemic numbers. Even with construction levels at all time highs, availability of new space is still slated to fall short of tenant demand. Prime port markets are facing supply shortages for years to come (LA, Seattle, Baltimore, Miami, etc.). There are other markets where new construction is beginning to pull ahead of leasing activity (Dallas, Columbus, Indianapolis, St. Louis, Denver, etc.)

National Metrics

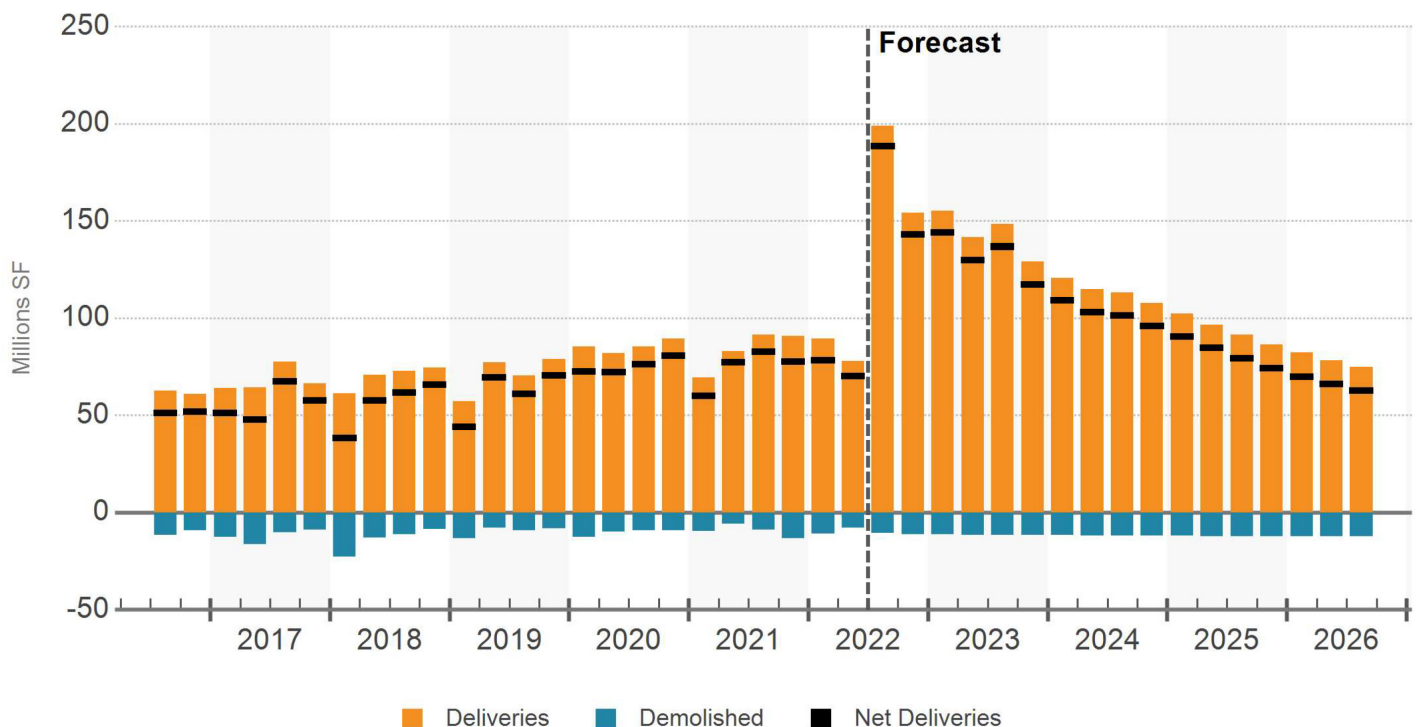
Under
Construction



Metros Under Construction

Atlanta, GA 40.9M SF	Dallas/FT Worth, TX 65.3M SF
Birmingham, AL 1.4M SF	Denver, CO 9.7M SF
Charlotte, NC 16.5M SF	Detroit, MI 9.8M SF
Charleston, SC 8.3M SF	Louisville, KY 12.3M SF
Chicago, IL 39.3M SF	Memphis, TN 10.9M SF
Columbus, OH 23.5M SF	Philadelphia, PA 21.7M SF

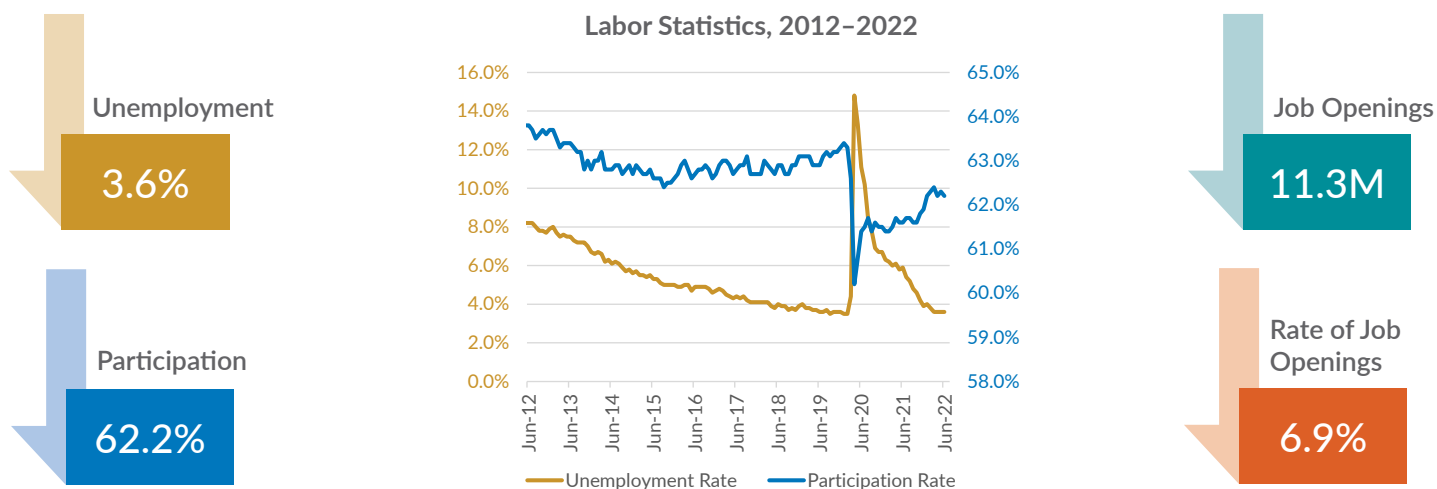
Deliveries & Demolitions



Economy

In response to rising prices, the Federal Reserve increased rates 75 basis points in June, the largest increase since 1994. Fed Chair Powell suggested that similar-sized increases will come at the next few meetings. The Consumer Price Index (CPI) was 9.1% in June, leading many to believe that consumer spending will fall off dramatically in the near future. According to the Bureau of Labor Statistics, the number of job openings decreased to 11.3 million on the last business day of May. Businesses across sectors are beginning to signal a slowdown in hiring, hiring freezes, and layoffs.

National Labor Statistics



Information contained in this report is provided, in part, from third-party sources, including Cresa, the U.S. Bureau of Labor Statistics, the Bureau of Economic Analysis, Real Capital Analytics, and CoStar Group. Even though obtained from sources deemed reliable, no warranty or representation, expressed or implied, is made as to the accuracy of the information herein.

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.

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



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

