

# U.S. Industrial Real Estate Market Summary | Q3 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	4.0%	3.1%	5.9%	11.4%	4.0%	422M SF	\$152 PSF
Rent	\$9.68 <sub>psf</sub>	\$10.19 <sub>psf</sub>	\$17.09 <sub>psf</sub>				

## Executive Summary

Industrial leasing activity continues to hold near record highs, up an incredible 50% compared to pre-pandemic levels. In Q3 2022, vacancy inched higher for the first time since the onset of the pandemic. This should be no cause for concern, as manufacturers, logistics providers, consumer goods companies, and retailers continue to demonstrate a huge need for an expanded distribution network.



### LEASING ACTIVITY

U.S. industrial leasing activity has held up remarkably well in recent months, even as rising inflation and interest rates have begun to wear on the broader economy.



### SALES

Investment in U.S. industrial properties has held up quite well so far in 2022 despite increases in commercial mortgage rates that have continued through the year. Heading into the second half of 2022, monthly sales volume is still running more than 15% above levels recorded at the same time in 2021.



### RENT

At 11.4% year over year, industrial rent growth is among the highest levels ever recorded. With excess demand, landlords have been hesitant to incentivize tenants with generous concession packages.



### NEW BUILDS

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.



### LABOR & ECONOMY

With 11.2 million job openings recorded on the last day of July, near a record high and representing almost two job vacancies for each unemployed worker, competition for workers is driving wages higher, but inflation is eroding household incomes.

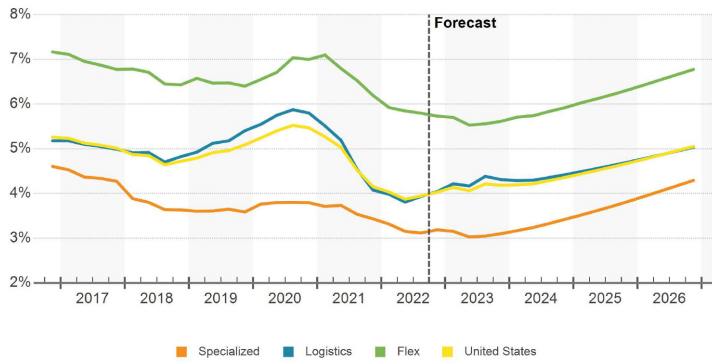


# Industrial Leasing Outlook

Leasing activity is set to tally around 320 million SF this quarter, a number that the market has been maintaining since early 2021, and is 50% higher than activity recorded three years prior to the pandemic. This increase in activity has primarily been fueled by increased consumer spending and a demand for supply chain efficiency. Amazon, the nation's largest industrial tenant, is rumored to be subleasing or vacating (at end of term) 10 million to 30 million SF of its U.S industrial real estate footprint. This is likely a result of a hyperactive growth strategy and not a prescriptor of an overall slowdown in the industrial real estate market.

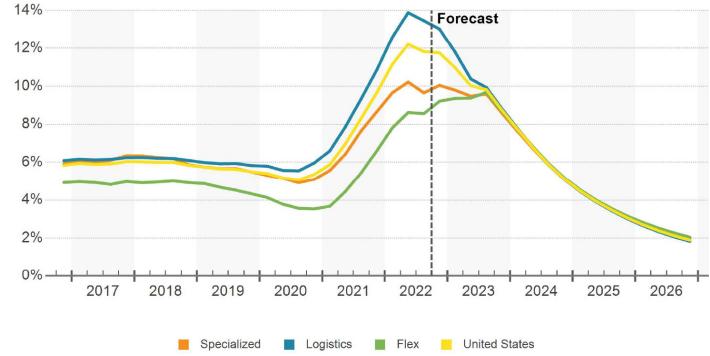
## Leasing

VACANCY RATE

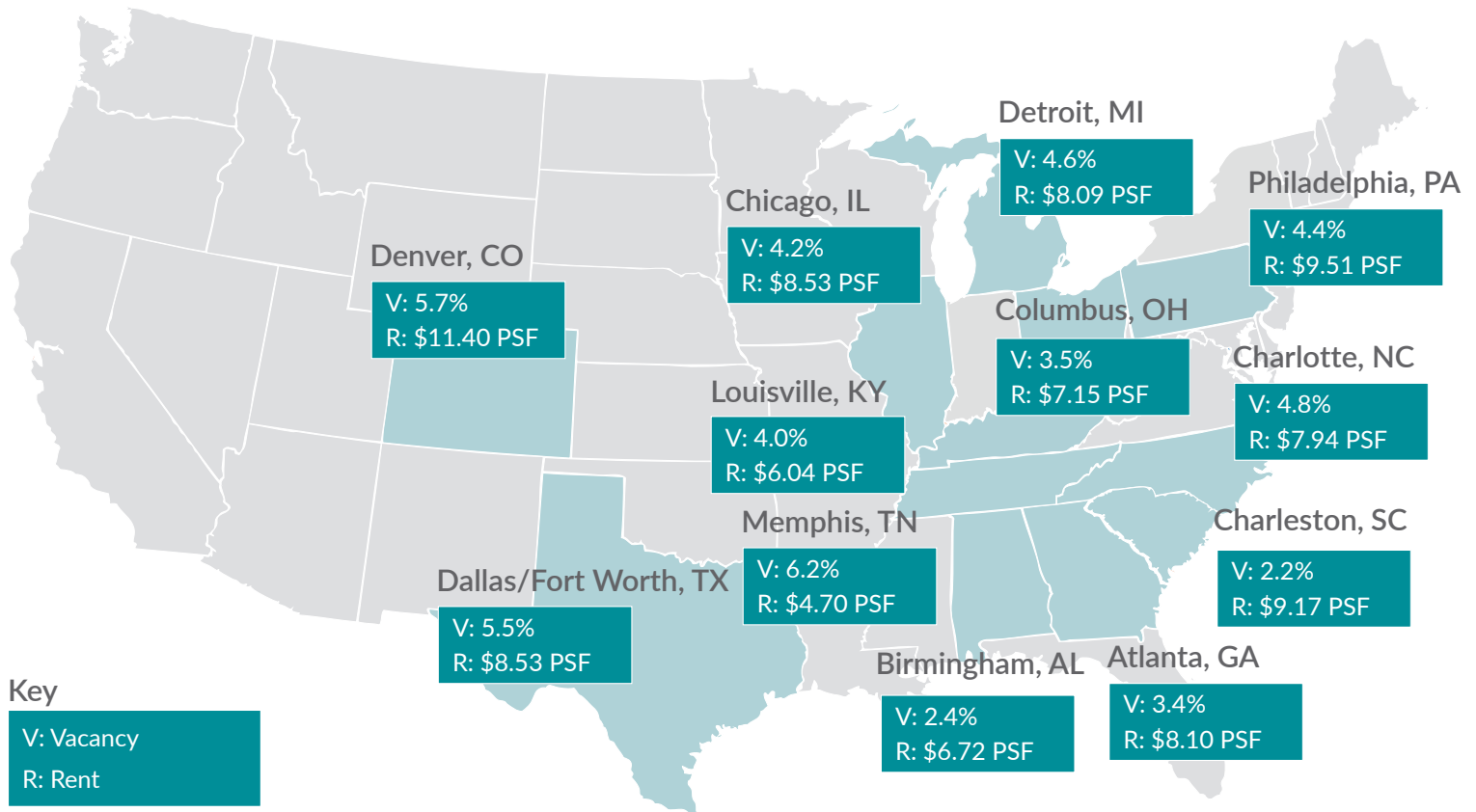


## Rent

MARKET RENT GROWTH (YOY)



# Metrics from Select Metros



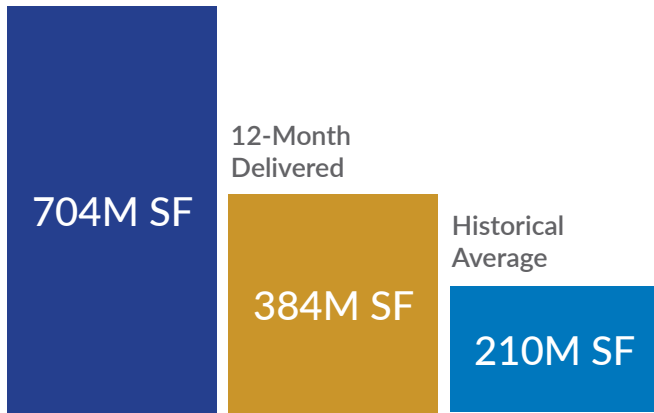


# Industrial Construction & Deliveries

Developers have been breaking ground at a record pace since the start of the pandemic to keep up with tenant demand. In some markets, development activity is beginning to pull well above typical absorption levels, proving that developers are optimistic in the industrial sector’s long-term future. Among distribution centers built in the last decade over 500,000 SF, existing space available for lease is rising quickly as speculative development projects are beginning to complete in larger numbers.

## National Metrics

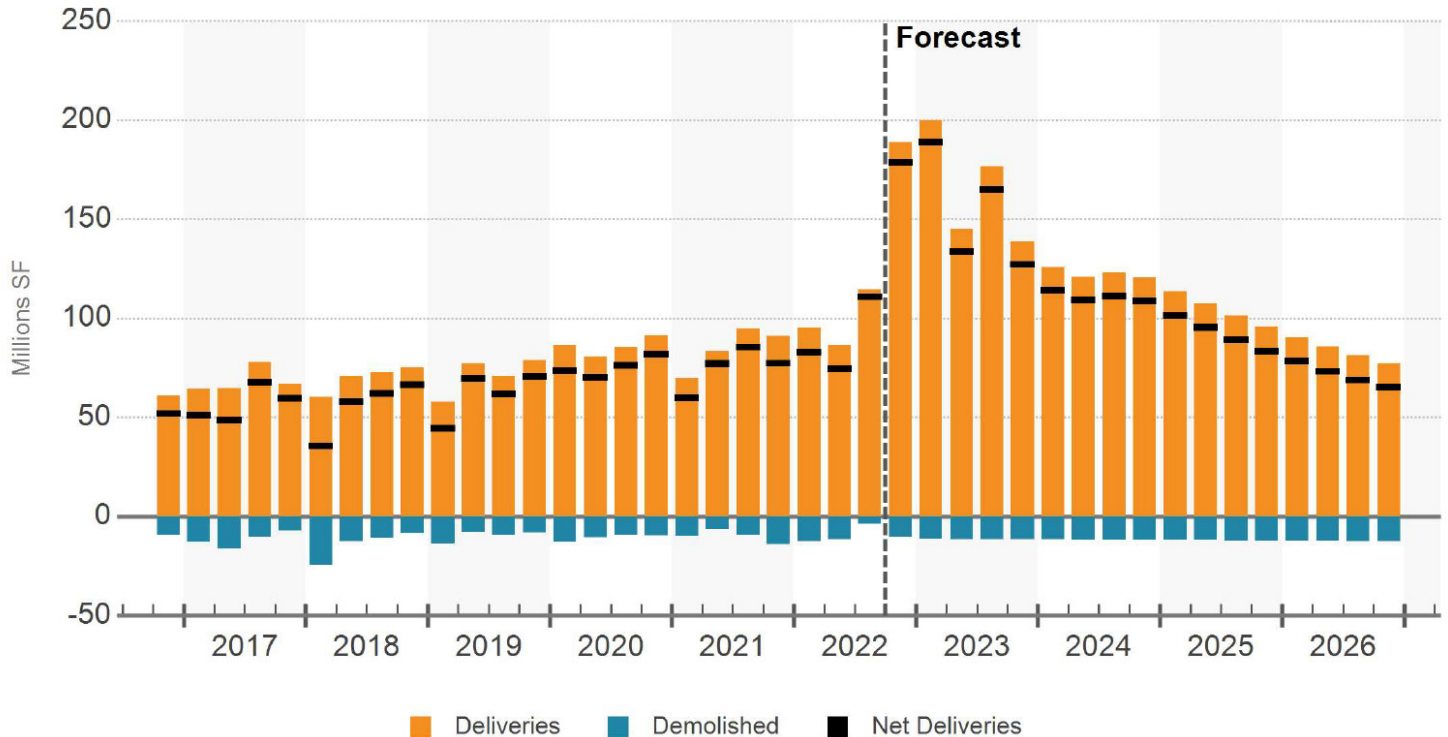
Under Construction



## Metros Under Construction

Atlanta, GA   39.5M SF	Dallas/FT Worth, TX   87.9M SF
Birmingham, AL   1.0M SF	Denver, CO   8.6M SF
Charlotte, NC   20.9M SF	Detroit, MI   11.6M SF
Charleston, SC   8.4M SF	Louisville, KY   13.4M SF
Chicago, IL   37.8M SF	Memphis, TN   10.5M SF
Columbus, OH   21.0M SF	Philadelphia, PA   22.4M SF

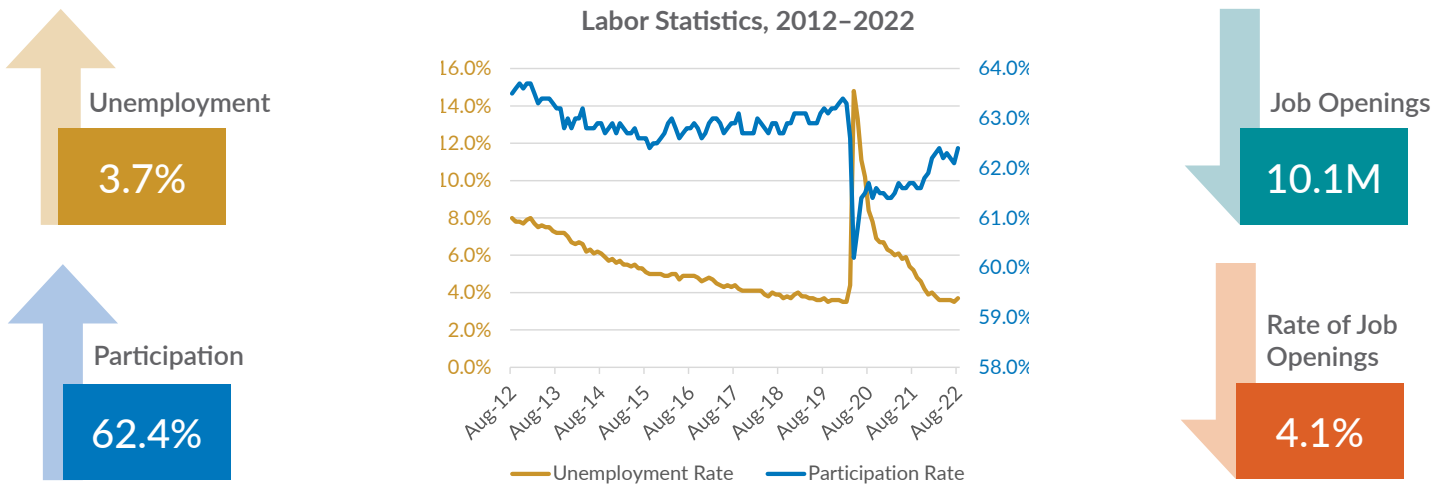
## Deliveries & Demolitions



## Economy

The odds of the economy falling into recession are climbing, as the Federal Reserve boosts interest rates sharply to rein in inflation that is lingering at a decade's high rate. In response to rising prices, the Federal Reserve is engaging in an aggressive tightening program, having already raised its policy rate by 225 basis points since March, including unusually large increases of 75 basis points at both its June and July FOMC meetings. As a result, consumer sentiment has plunged and threatens to derail consumer spending that supports roughly two-thirds of the economy.

### National Labor Statistics



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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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